Business Management Units 1 & 2

Chapter 12 — The marketing mix and marketing strategies

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Theory

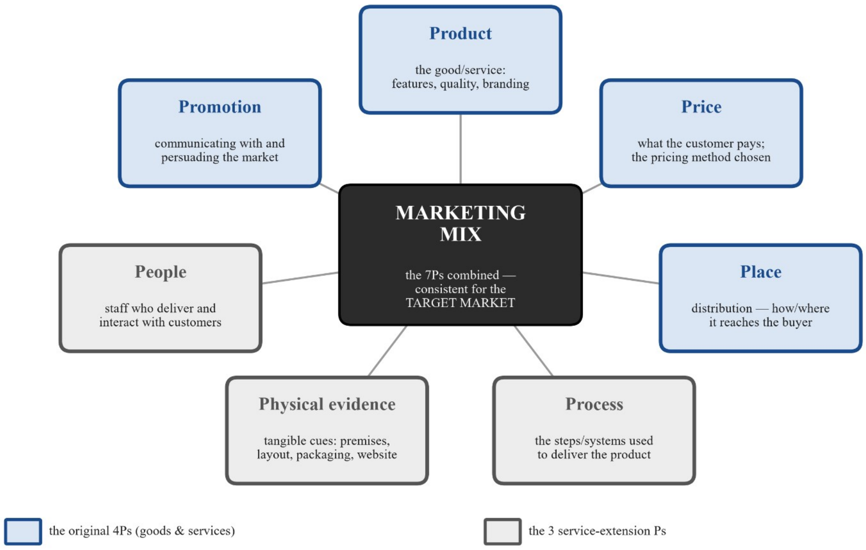
Marketing is the set of activities a business uses to identify, attract and satisfy customers so that it can achieve its objectives. Once a business has researched its **target market** — the group of customers it has chosen to sell to — it must decide *how* it will actually reach and satisfy those customers. It does this by combining a number of controllable marketing elements into a package. That package is the **marketing mix**.

The **marketing mix** is the combination of marketing elements a business blends together to satisfy the needs of its target market and achieve its marketing objectives. The study design describes this mix using the **7Ps model of marketing**: **product, price, place, promotion, people, physical evidence** and **process**. The first four — product, price, place and promotion — are the *original 4Ps* that apply to any good or service. The remaining three — people, physical evidence and process — are the **service-extension Ps**: they were added because so much of what customers buy is a *service* (or a good bundled with a service), and services are **intangible**, produced and consumed at the same time and heavily dependent on the staff and surroundings involved. Together the seven elements give a business a checklist of every decision it can control when marketing to its customers.

The seven elements.

- **Product.** The good or service itself — what the business actually offers the customer. Product decisions cover its **features, quality, design, range, branding, packaging and after-sales service**. The product must satisfy the needs the target market is trying to meet; every other P exists to support getting the right product to the customer.
- **Price.** The **amount the customer pays** for the product, and the method the business uses to set it. Price decisions cover the **pricing level** (premium, mid-range or budget) and the **pricing method** — for example *cost-based* pricing (adding a mark-up to cost), *market-based* pricing (setting price by supply and demand), *penetration* pricing (a low launch price to win market share) or *price skimming* (a high launch price for a new, distinctive product). Price signals the product's value and must match the customer's willingness to pay.
- **Place. How and where the product is distributed** so that it reaches the customer — the *distribution* element. Place decisions cover the **channel** used (selling direct to consumers, or through wholesalers and retailers) and the **outlets** through which customers buy, including physical stores, online stores and mobile or pop-up locations. The goal is to make the product available in the right place, at the right time, in the right quantity.
- **Promotion. How the business communicates with the target market** to inform and persuade it to buy. Promotion decisions cover the **promotion mix** — for example *advertising*, *sales promotions* (discounts, competitions, loyalty offers), *personal selling* and *public relations*. Promotion builds awareness of the product, explains its benefits and encourages a purchase.
- **People.** The **staff who deliver the product and interact with customers** — their knowledge, skills, attitude, appearance and service. Because a service is often produced by a person *at the moment* the customer receives it, the people delivering it become part of what the customer is buying; well-trained, helpful staff can be a major point of difference, while poor service can undo every other element of the mix.
- **Physical evidence.** The **tangible cues** that surround an otherwise intangible service and shape the customer's impression of it — the **premises, layout, cleanliness, décor, staff uniforms, signage, packaging, website and confirmation emails or receipts**. Because customers cannot inspect a service before buying it, they judge its likely quality from this physical evidence.
- **Process.** The **systems and steps a business uses to deliver the product** to the customer — how an order is taken, how a customer moves through a queue, how a booking is made, how a complaint is handled. A smooth, reliable process makes the experience convenient and consistent; a slow or confusing one frustrates customers even when the product itself is good.

The 7Ps of marketing: the elements of the marketing mix



The 7Ps must work together — consistently — for the target market. The most important idea in this subtopic is that the 7Ps are **not seven separate decisions**; they form a single, coordinated *mix*. Each element must be **consistent** with the others and with the needs of the **target market**, or the overall marketing effort is undermined. A business aiming at a **premium** market, for example, needs a high-quality *product*, a *price* high enough to signal that quality, an upmarket *place* (exclusive outlets or a polished website), *promotion* that emphasises prestige rather than discounts, knowledgeable *people*, elegant *physical evidence* and a smooth, attentive *process*. If any one P is out of step — say, a luxury product sold cheaply from a run-down store — the mix sends **mixed messages**, confuses customers and weakens the brand. A well-designed marketing mix is therefore **internally consistent** (the Ps reinforce one another) and **externally consistent** (the whole mix matches what the target market values).

Keeping the 7Ps straight (common traps).

- **Place means distribution, not just physical location.** “Place” is about **how the product reaches the customer** — the channels and outlets used — which includes online distribution and delivery, not merely the address of a shop. A business with no physical store still makes place decisions.
- **Promotion is not price.** Promotion is *communication* with the market. A price *discount* is a pricing decision that may be *used within* a promotion, but “promotion” itself refers to advertising, selling and publicity — informing and persuading, not the amount charged.
- **People, physical evidence and process are the three service-extension Ps.** They were added to the original 4Ps because **services are intangible** and depend heavily on the staff, surroundings and systems involved. They matter most for service businesses, but goods businesses use them too (for example, the checkout staff, store fit-out and returns process of a clothing shop).
- **Physical evidence is not the product.** The *product* is what the customer buys; *physical evidence* is the **tangible surroundings and cues** that signal its quality — the café’s fit-out and cup, not the coffee itself. (Packaging can serve as both, which is why the two are easily confused.)
- **Process is how the product is delivered, not what it is.** Two businesses can sell an identical product yet compete on *process* — for instance, one offering faster ordering, shorter queues or easier booking than the other.

Contemporary example — Mecca, August 2025

Mecca is an Australian prestige beauty retailer that began with a single Melbourne store in 1997 and sells cosmetics, skincare and fragrance through its own outlets. On **8 August 2025** it opened a flagship store at 299 Bourke Street in Melbourne’s CBD — around **4,000 square metres across three levels**, in a restored heritage building on the site that had once housed Cole’s Book Arcade. At opening the store carried **more than 200 beauty brands**, offered **more than 80 in-store services** and was staffed by more than 300 team members.

The opening illustrates the **7Ps working as one coordinated mix** rather than as seven separate decisions. The **product** is deliberately broad — hundreds of brands, plus services such as hair, make-up and skin treatments. **Place** here is a *distribution* decision: a large outlet on a busy CBD shopping street puts the product where the target market already walks. The three **service-extension Ps** are all designed into the one site — **people** (hundreds of trained staff advising customers), **physical evidence** (the restored heritage fit-out, layout and signage, which make quality tangible before anything is bought) and **process** (bookable in-store services, so an appointment is a planned step in the delivery of the service). Each element points the same way — an upmarket, service-heavy experience — so the mix is **internally consistent**; a cheap fit-out or untrained staff would have contradicted the rest.

Source: Time Out Melbourne, "Mecca's huge new Bourke Street flagship store is finally open to the public", 8 August 2025 — https://www.timeout.com/melbourne/news/meccas-huge-new-bourke-street-flagship-store-is-finally-open-to-the-public-080825. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Pedal & Post is a new bicycle-repair business that fixes customers' bikes at their homes, booked through an app. Identify how Pedal & Post could address **four** of the 7Ps of marketing.

Working	Comment
Product: a convenient at-home bike-repair *service*, including servicing, puncture repairs and a workmanship guarantee.	Start with the product — the actual service offered and its features.
Price: a per-job price set slightly above a fixed shopfront's, reflecting the convenience of home service (a market-based level).	Price must reflect the value customers place on convenience.
Place: *distribution* is the mobile mechanic travelling to the customer's home, booked through the app — there is no shopfront.	Place = how the service reaches the customer, not a store location.
Promotion: local social-media advertising and a "first service 20% off" sales promotion to build awareness.	Promotion communicates with and persuades the target market.
∴ Pedal & Post's product, price, place and promotion each address a different controllable marketing decision, forming part of its marketing mix.	State how the elements combine.

Example 2 — scaffolded

Explain how **two** of the 7Ps must work together consistently for the target market, using a business that positions itself as a **premium** brand.

Working	Comment
Choose two Ps that clearly interact: **price** and **physical evidence**, for a premium day spa targeting higher-income customers.	Pick elements whose consistency can be shown.
A premium *price* signals high quality and exclusivity, which is what the target market is paying for.	Explain the role of the first P for this market.
The *physical evidence* — a luxurious fit-out, plush robes, calming décor and elegant packaging — must match that high price by making the quality visible.	Explain how the second P supports the first.
If the price were premium but the premises were shabby, the mix would be **inconsistent** and customers would doubt the value, so the two Ps must reinforce each other.	Show why consistency matters — an inconsistent mix undermines the message.
∴ price and physical evidence must be aligned so the	Conclude on the need for consistency.

whole mix delivers one clear, credible message to the target market.

Example 3 — unscaffolded

Distinguish between **place** and **physical evidence** in the 7Ps of marketing.

Place refers to **distribution** — *how and where* a product is made available so it reaches the customer, including the channels used (direct or through retailers) and the outlets involved (physical stores, online or mobile). **Physical evidence** refers to the **tangible cues** that surround an intangible service — the premises, layout, décor, uniforms, packaging and website — which customers use to judge the service's likely quality. The key difference is their purpose: place is about **getting the product to the customer**, whereas physical evidence is about **giving the customer visible proof of quality** at the point of contact. ∴ although both can involve a physical location, place concerns *distribution* while physical evidence concerns *the impression the surroundings create*.

Example 4 — unscaffolded

Explain the role of **people** in the marketing mix of a service business.

In a service business, **people** — the staff who deliver the service and interact with customers — play a central role in the marketing mix because the service is often **produced at the very moment the customer receives it**, so the staff member effectively *becomes part of the product*. Their knowledge, skills, attitude and appearance directly shape the customer's experience: friendly, competent staff can make a service feel high-quality and build customer loyalty, while rude or poorly trained staff can ruin the experience even if the product, price and promotion are well designed. Because services are **intangible** and cannot be inspected in advance, customers often judge quality by how they are treated. ∴ people are a crucial element of a service's marketing mix, and must be consistent with the image the other Ps create for the target market.

Practice questions

Scaffolded

Q1. Define the term *marketing mix*.

Q2. List the **seven** elements of the 7Ps model of marketing.

Q3. Identify which of the 7Ps each of the following decisions relates to: (a) choosing to sell a product through an online store and by home delivery; (b) training staff to greet every customer and answer product questions; (c) setting a low launch price to attract customers away from competitors.

Q4. Crumb & Co. is a new dessert café. (a) Identify **one** example of the *product* element for Crumb & Co. (b) Identify **one** example of the *physical evidence* element for Crumb & Co.

Q5. Outline the difference between the *original 4Ps* and the *three service-extension Ps*.

Q6. Explain why the 7Ps must work together consistently for the target market.

Unscaffolded

Q7. Define the term *price* as it is used in the 7Ps of marketing. *(2 marks)*

Q8. Outline what is meant by *place* in the 7Ps of marketing. *(2 marks)*

Q9. Describe the role of *promotion* in the marketing mix. *(3 marks)*

Q10. Distinguish between *product* and *physical evidence* in the 7Ps of marketing. *(4 marks)*

Q11. Explain the role of *people* in the marketing mix of a service business. *(3 marks)*

Q12. Explain why *place* refers to distribution rather than only a physical location. *(3 marks)*

Q13. Compare the *people* and *process* elements of the 7Ps. *(4 marks)*

Q14. *Case study.* **Bloom Box** is a new business that delivers a monthly box of fresh flowers, ordered through a website, to customers who want an easy way to keep their homes looking fresh. Each box arrives in an elegant, recyclable carton with a hand-written care card. Bloom Box charges a mid-range subscription price, promotes itself through targeted social-media posts, and lets customers pause or change their delivery at any time through their online account. Its founder, Devi, employs two florists who select and arrange the flowers. (a) Identify the *product* and the *place* elements of Bloom Box's marketing mix. *(2 marks)* (b) Analyse how **three** of the 7Ps work together consistently to satisfy Bloom Box's target market. *(6 marks)*

Q15. Discuss the value of the three service-extension Ps (people, physical evidence and process) in a business's marketing mix. *(6 marks)*

Q16. Analyse how the 7Ps of marketing must work together to satisfy a target market. *(6 marks)*

Q17. Evaluate the usefulness of the 7Ps model as a framework for planning a business's marketing. *(6 marks)*

Q18. *Case study.* **Verve Fitness** is a new premium boutique gym targeting time-poor professionals who want a high-end experience. Propose an appropriate approach to the *price* and *physical evidence* elements of Verve Fitness's marketing mix, and justify how your proposals suit its target market. *(4 marks)*

Q19. *Extended response.* **Nimbus Coffee** is planning to open a specialty coffee bar in a busy CBD laneway, targeting office workers who want a fast, high-quality coffee on their way to work. Analyse how Nimbus Coffee could use the 7Ps of marketing to satisfy this target market, and analyse why the seven elements must work together consistently. Refer to Nimbus Coffee throughout your response. *(10 marks)*

Q20. *Contemporary example.* On 8 August 2025, the Australian beauty retailer **Mecca** opened a flagship store of about 4,000 square metres on Bourke Street, Melbourne, which at opening carried more than 200 beauty brands and offered more than 80 in-store services. Analyse how this single decision addressed **several** of the 7Ps of marketing at once, and why those elements must be consistent with one another. *(6 marks)*

Answers

Q1. The combination of marketing elements (the 7Ps) a business blends together to satisfy its target market and achieve its marketing objectives. **Q2.** Product, price, place, promotion, people, physical evidence, process. **Q3.** (a) place; (b) people; (c) price. **Q4.** (a) e.g. the range/quality of desserts offered, or a signature cake (any *product* feature). (b) e.g. the café's fit-out, lighting, plating or packaging (any tangible cue). **Q5.** Original 4Ps = product, price, place, promotion (apply to any good or service); the three service-extension Ps = people, physical evidence, process (added because services are intangible). **Q6.** Because the Ps form one coordinated mix; if any element is inconsistent with the others or with the target market, the mix sends mixed messages and is undermined. **Q7.** The amount the customer pays for the product, and the method used to set it (e.g. cost-based or market-based pricing). See solutions. **Q8.** Place = distribution: how and where the product reaches the customer (channels and outlets, including online). See solutions. **Q9.** Promotion communicates with the target market to inform and persuade it to buy (advertising, sales promotion, personal selling, public relations). See solutions. **Q10.** Product = what the customer buys; physical evidence = the tangible cues/surroundings signalling its quality. See solutions. **Q11.** People (staff) deliver the service and interact with customers; because a service is intangible and produced as it is consumed, staff shape the experience and perceived quality. See solutions. **Q12.** Place is about distribution — the channels/outlets that get the product to the customer, including online and delivery — not merely a shop's address. See solutions. **Q13.** Both are service-extension Ps; people = the staff who interact with customers, process = the systems/steps used to deliver the product. See solutions. **Q14.** (a) Product = the monthly box of fresh flowers (a service/subscription); place = online ordering with delivery to the customer's home. (b) Model response in solutions. **Q15.** Advantages and disadvantages of the three service-extension Ps. See solutions. **Q16.** Model response in solutions. **Q17.** Evaluation — usefulness and limitations of the 7Ps model, plus a judgement. See solutions. **Q18.** Premium price + upmarket physical evidence, justified against the premium target market. See solutions. **Q19.** Model response in solutions. **Q20.** Model response in solutions — the store opening is one decision addressing product, place, people, physical evidence and process at once, and the elements must reinforce one another.

Fully-worked solutions

Q7. In the 7Ps, **price** is the **amount the customer pays** for a business's product, and the **method the business uses to set that amount**. It covers both the **pricing level** chosen (premium, mid-range or budget) and the **pricing method** used — for example **cost-based** pricing (adding a mark-up to cost) or **market-based** pricing (setting price according to supply and demand). Price signals the product's value and must match what the target market is willing to pay.

Q8. In the 7Ps, **place** refers to **distribution** — *how and where* a product is made available so that it **reaches the customer**. It covers the **channels** used (selling directly to consumers or through wholesalers and retailers) and the **outlets** through which customers buy, including physical stores, online stores and delivery. It is about availability, not merely a shop's location.

Q9. Promotion is the element of the marketing mix concerned with **communicating with the target market** in order to **inform and persuade** it to buy the product. It uses a *promotion mix* of methods — such as **advertising, sales promotions (discounts and competitions), personal selling and public relations** — to **build awareness** of the product, explain its benefits and encourage a purchase. Without effective promotion, customers may be unaware the product exists, so the element plays a key role in generating sales.

Q10. A **product** is **what the customer actually buys** — the good or service itself, including its features, quality, design and branding. **Physical evidence** is the set of **tangible cues that surround an intangible service** — the premises, layout, décor, uniforms, packaging and website — which customers use to **judge the service's likely quality** before and during purchase. The two differ in role: the product is the *offering that meets the customer's need*, whereas physical evidence is the *visible proof of quality* that supports it. For example, at a hair salon the *product* is the haircut, while the *physical evidence* is the stylish, clean salon and the branded products on display. They are easily confused because packaging can act as both.

Q11. In a **service business**, **people** — the staff who deliver the service and interact with customers — are a central element of the marketing mix. This is because a service is often **produced at the same moment the customer receives it**, so the staff member effectively **becomes part of the product** the customer experiences. Staff **knowledge, skills, attitude and appearance** directly shape the customer's perception of quality: capable, friendly staff can make the service feel high-quality and build **loyalty and repeat business**, whereas poorly trained or unhelpful staff can ruin the experience even when the other Ps are well designed. Because services are **intangible** and cannot be inspected in advance, customers often judge them by how the people treat them — making people a decisive part of the mix.

Q12. Place refers to **distribution** — the **channels and outlets** a business uses to get its product to customers — rather than only a physical location, because a product can reach customers in **many ways that have nothing to do with a shop's address**. A business may distribute **directly** to consumers or **through retailers**, and it may sell through a **physical store, an online store, a mobile service or home delivery**. A purely online business, for example, has **no shopfront at all** yet still makes important place decisions about its website, delivery partners and dispatch times. Treating place as *only* a location would ignore these channel decisions; understood correctly, place is about making the product **available to the target market in the right way, at the right time**.

Q13. People and **process** are **similar** in that **both are service-extension Ps** — added to the original 4Ps because services are intangible — and both concern **how a service is delivered** rather than what the product is. They **differ** in what they focus on: **people** are the **staff who interact with and serve customers**, so this element is about **who** delivers the service and how well they do it (knowledge, attitude, service). **Process** is the **systems and steps used to deliver the product** — such as how an order is taken, a queue is managed or a booking is made — so it is about **how the delivery is organised**, independent of any individual. A useful signpost: *a similarity is that both are service-extension Ps affecting the customer's experience, whereas a difference is that people concern the staff involved while process concerns the systems and steps used.*

Q14. (a) The **product** is the **monthly box of fresh flowers** delivered as a subscription service; the **place** element is the **online ordering and home delivery** through which the boxes reach customers (there is no physical store). (b) Bloom Box's marketing mix works together consistently to satisfy its target market — busy people who want an easy, attractive way to keep their homes fresh — by **aligning several Ps around the same "effortless, tasteful" promise**. Its **process** is deliberately convenient: customers order online and can pause or change deliveries at any time through their account, which directly serves a time-poor target market. This convenience is reinforced by the **physical evidence** — the elegant, recyclable carton and hand-written care card — which makes the intangible service feel premium and thoughtful the moment it arrives, matching the "tasteful" image the customers value. The **price** is mid-range, which is **consistent** with this positioning: high enough to signal quality flowers and attractive packaging, but not so high as to deter the everyday customers Bloom Box targets. Because these three elements **pull in the same direction** — easy process, quality physical evidence and a matching price — the customer receives one clear, credible message, and the mix **satisfies the target market's desire for a convenient yet tasteful product**. Had one P been out of step (for example, a clumsy ordering process or cheap, damaged packaging), the inconsistency would have undermined the others. *(Full marks require a sustained, causal analysis showing how the chosen Ps interact and link to Bloom Box's specific target market, not three separate descriptions.)*

Q15. The three **service-extension Ps — people, physical evidence and process** — add real value to a marketing mix, though their importance varies. **Value (advantages):** because services are **intangible**, these Ps give a business ways to **make quality visible and controllable** where the original 4Ps cannot: well-trained **people** turn each interaction into a point of difference and build loyalty; **physical evidence** gives customers **tangible proof of quality** to judge an otherwise invisible service; and a smooth **process** makes the experience **convenient, reliable and consistent**. Together they can be a powerful source of **competitive advantage**, especially in service industries where the product itself is easily copied. **Limitations (disadvantages):** they can be **costly and hard to manage** — training and retaining good staff, fitting out premises and designing efficient systems all require money and effort, and they depend on **human performance**, which is variable and difficult to keep consistent across locations. For a simple goods business sold online, the three extension Ps may also be **less central** than product, price and place. **Overall**, the three service-extension Ps add significant value by letting a business shape the customer's experience of an intangible service, provided it is willing to invest in the staff, surroundings and systems needed to deliver them well. *(Discuss requires advantages and disadvantages; a judgement is not required and points should not be double-dipped.)*

Q16. The 7Ps must **work together as a single coordinated mix** to satisfy a target market, and analysing *how* reveals a chain of relationships. The starting point is the **target market**: its needs, tastes and price expectations should drive every element. The **product** is designed to meet those needs; the **price** is then set at a level that both reflects the product's value and matches what the target market will pay; **place** makes the product available through the channels those customers actually use; and **promotion** communicates the offer in language and media that reach them. Crucially, each decision **constrains and reinforces the others** — a premium product justifies a premium price, which in turn calls for upmarket **physical evidence**, knowledgeable **people** and a polished **process**, so the customer receives **one consistent message** about what the business is. When the Ps are **aligned**, they amplify one another and the customer experience feels coherent and credible; when one is **out of step** — for instance, a high-quality product sold cheaply from a shabby outlet with untrained staff — the **inconsistency confuses customers, weakens the brand and reduces sales**, because the elements are contradicting rather than supporting each other. The relationship is therefore one of **mutual dependence**: the effectiveness of any single P depends on how well it fits the rest and how well the whole mix fits the target market. *(Analyse requires causal relationships between the elements — how they affect one another and the target market — not a list of the seven Ps or their pros and cons.)*

Q17. The 7Ps model is a **useful but not complete** framework for planning marketing. Its **usefulness** lies in being a **simple, comprehensive checklist**: it prompts a business to make a deliberate decision about **every controllable element** of its marketing rather than overlooking one, and by including **people, physical evidence and process** it captures the realities of **service** businesses that the original 4Ps miss. It also encourages **consistency**, because laying the seven elements side by side makes it obvious when one is out of step with the target market. **However**, the model has **limitations**: it focuses on factors the business **controls** and can lead managers to plan *inside-out* rather than starting from **customer needs**; the elements **overlap** (packaging is both product and physical evidence), so classification can be arbitrary; and the model is a **framework, not a formula** — it lists *what* to decide but not *how* to decide it, and says nothing about the external environment, competitors or budget. **On balance**, the 7Ps are a **valuable planning tool** — their structured, whole-of-marketing view outweighs their limitations **provided** the business begins with the target market's needs and uses the model to ensure a consistent, complete mix rather than treating it as a mechanical checklist. *(Evaluate requires advantages, disadvantages and a supported judgement that adds value — not a generic "advantages outweigh disadvantages".)*

Q18. For **Verve Fitness**, a premium boutique gym targeting time-poor professionals who want a high-end experience, I would propose the following. **Price:** set a **premium membership price**, well above that of a budget gym. This is justified because a high price **signals exclusivity and quality** to the target market — affluent professionals who associate a higher price with a better experience — and because it must be **consistent** with the upmarket positioning; a cheap price would contradict the premium image and attract the wrong customers. **Physical evidence:** invest in **high-end physical evidence** — a sleek, spotless fit-out, quality equipment, premium change-room amenities, plush towels and polished branding. This is justified because members judge an intangible service by its **tangible cues**, so luxurious surroundings **make the premium quality visible** and reassure time-poor professionals that the higher price is worthwhile. Together, the premium price and upmarket physical evidence **reinforce one another** and suit the target market's desire for a genuinely high-end experience. *(Propose requires more than naming the elements — the approach must be specified — and justify requires an argued link to the target market.)*

Q19. *Model response (10 marks).* The **marketing mix** is the combination of the **7Ps** a business blends to satisfy its target market, and **Nimbus Coffee** — a specialty coffee bar in a busy CBD laneway targeting office workers who want a **fast, high-quality coffee on the way to work** — can use each element to serve that market, provided the elements are consistent. Its **product** should be **high-quality specialty coffee** served quickly, perhaps with a small range of grab-and-go food, because the target market values both quality and speed. **Price** should be **mid-to-premium** — high enough to signal specialty quality but competitive with nearby cafés — matching what office workers will pay for a daily coffee. **Place** (distribution) is the **laneway outlet itself, plus a pre-order app** so customers can collect without queuing; locating on a busy commuter route puts the product exactly where the target market passes. **Promotion** should reach commuters directly — for example, a **loyalty card**, targeted social-media posts and signage at the laneway entrance — to build awareness and repeat visits.

The three **service-extension Ps** are just as important for a fast service business. **People** — skilled, efficient baristas who are friendly under pressure — shape the experience, since the coffee is *made as the customer receives it*; quick, competent staff deliver both the quality and the speed the market wants. **Physical evidence** — a clean, stylish counter, branded cups and a visible, gleaming coffee machine — gives customers **tangible proof of quality** and reinforces the specialty image. **Process** — a streamlined ordering, payment and pick-up system, including the pre-order app and a separate collection point — is critical to delivering **speed** without sacrificing quality, directly meeting the "fast" need.

Crucially, these elements **must work together consistently**. Nimbus Coffee's promise is *fast, quality coffee for commuters*, and every P must support it: the specialty **product** justifies the mid-premium **price**, which is credible only if the **physical evidence** looks the part and the **people** and **process** actually deliver speed and quality. If one element were **out of step** — for example, excellent coffee (product) but a slow, disorganised process, or a premium price paired with cheap, messy physical evidence — the **inconsistency would confuse commuters and cost sales**, because the elements would contradict one another. Because the Ps are **mutually dependent**, the strength of Nimbus Coffee's marketing comes not from any single element but from the **whole mix pulling in the same direction** to satisfy its target market. *(Full marks require: accurate use of all seven Ps applied specifically to Nimbus Coffee; a causal analysis of how the elements serve the target market; a clear analysis of why the Ps must be consistent, including the effect of inconsistency; and sustained links to the business throughout.)*

Q20. Mecca's Bourke Street opening on **8 August 2025** shows that a single decision can settle **several Ps at once**, because the 7Ps form **one coordinated mix** rather than seven separate choices. The store is first a **place** decision: a large outlet on a busy CBD shopping street is a **distribution** choice that makes the product available where the target market already passes. That same decision fixes the **product** — a range of more than 200 brands *and* more than 80 in-store services, so what is sold is a good bundled with a service. Because services are **intangible**, the three **service-extension Ps** are then unavoidable: **people**, since hundreds of staff advise customers and effectively **become part of the product** at the moment the service is delivered; **physical evidence**, since the restored heritage building, layout and signage are the **tangible cues** customers use to judge quality before buying; and **process**, since a bookable in-store treatment must be a designed sequence of steps rather than an accident.

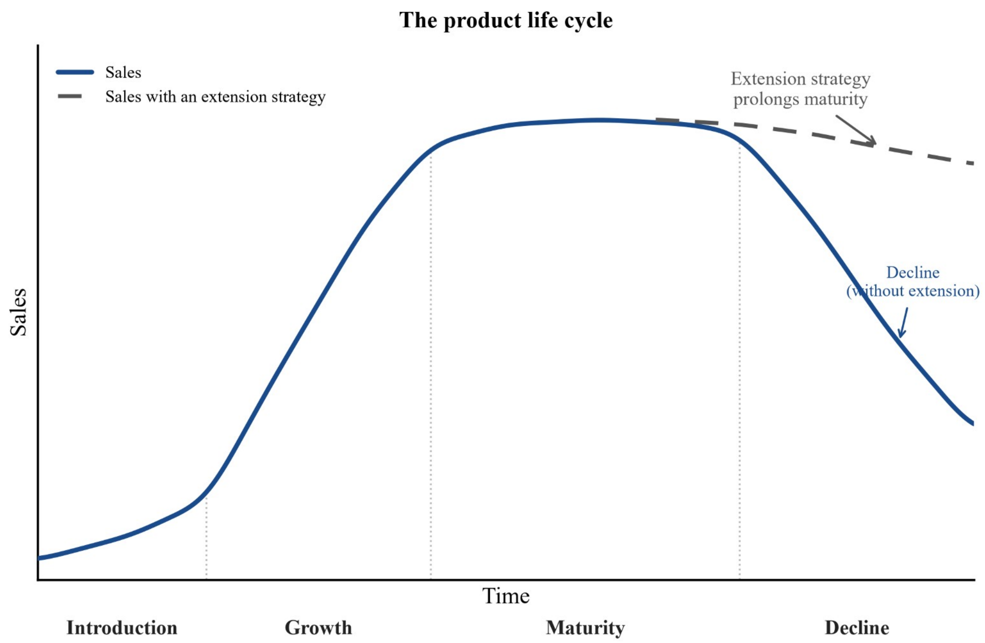
These elements must be **consistent** because each one is judged against the others. Broad, upmarket **physical evidence** and a large service range signal a premium offer, so untrained **people** or a confusing booking **process** would send **mixed messages** and undermine the impression the fit-out creates. The Ps are **mutually dependent**: the effect of any one depends on whether the rest point the same way for the target market. *(Analyse requires causal links between the elements and the decision — not a list of the Ps that a store happens to involve.)*

Chapter 12 The marketing mix and marketing strategies — 12B The product life cycle

Theory

The **product life cycle (PLC)** describes the stages a product passes through from the time it is first launched onto the market until it is eventually withdrawn from sale. It is usually drawn as a curve showing the product's **sales over time**, and it is one of the most useful tools a marketer has, because *the stage a product has reached shapes the marketing strategy the business should use*. A product rarely sells at a steady rate for its whole life: sales build slowly at first, may rise quickly, level off, and finally fall — and the marketing decisions that suit the product are different at each point.

It helps to be clear about what the life cycle actually describes. It tracks the life of a **product or brand**, not the business as a whole (a business will usually be selling several products that are at different stages at once), and it is measured in **sales**, from which **profit** follows a related but different pattern. The study design identifies **five** things to understand: the four sequential **stages** — introduction, growth, maturity and decline — and **extension**, which is not a fifth stage but a set of strategies used to prolong the cycle. The marketing mix referred to below (product, price, place, promotion and the other elements of the 7Ps) is examined in 12A; here the focus is on **how the use of that mix changes as the product moves through its life cycle**.



Introduction. The product is newly launched. Sales are **low** and grow **slowly**, because few customers are yet aware the product exists or are willing to try something unproven. Profit is usually **negative (a loss)** or very small, because the business is carrying the high costs of developing, launching and heavily promoting the product while sales volume is still low. The marketing focus is on **building awareness and encouraging trial**:

- *Product* — usually a single, basic version.
- *Price* — either a low **penetration** price to win customers quickly, or a high **skimming** price to recover development costs from early adopters, depending on the product.
- *Promotion* — **heavy, informative** advertising to make the target market aware the product exists and explain what it does.
- *Place* — often **limited or selective** distribution while demand is still unproven.

Growth. The product gains acceptance and sales **rise rapidly** as word spreads and more customers buy. Profit **rises strongly** and often reaches its **highest point** towards the end of this stage, as higher volumes spread fixed costs and unit costs fall. Success now attracts **competitors**, who enter the market. The marketing focus shifts from awareness to **building preference for the brand and maximising market share**:

- *Product* — improved or expanded (new features, better quality, more variants) to stay ahead of new rivals.
- *Price* — often held steady, or reduced slightly as competitors appear.
- *Promotion* — becomes **persuasive**, stressing why this brand is better than the alternatives now available.
- *Place* — **widened** to more outlets so the product is easy to buy and rising demand is met.

Maturity. Sales growth **slows and then levels off (plateaus)** as the market approaches **saturation** — most of the customers who want the product already have it. Sales are at their **highest but are no longer rising**, and this is typically the **longest** stage. Competition is now intense, so businesses compete hard on price and promotion; **profit begins to fall** even though sales are still high, because prices are cut and marketing spending rises to defend market share. The marketing focus is on **defending market share and differentiating** the product from rivals — and this is the stage at which **extension strategies** (below) are used to keep sales up:

- *Product* — differentiated, and often refreshed through extension strategies.
- *Price* — **competitive** (discounts, promotions, loyalty offers) to hold customers.
- *Promotion* — **reminder** advertising to keep the brand front-of-mind and emphasise its points of difference.
- *Place* — kept **wide** to defend availability.

Decline. Sales **fall**, and keep falling, as the product loses appeal — perhaps because of new technology, changing consumer tastes, or newer products that do the job better. Profit falls with sales. The business must now choose between three broad responses: **revive** the product with an extension strategy, **harvest** it (cut all possible costs and take whatever profit remains while phasing it out), or **withdraw** it from sale altogether. If it does not revive the product, the marketing focus turns to **minimising cost**:

- *Product* — the range is cut back to the best-selling lines.
- *Price* — often **reduced** to clear remaining stock.
- *Promotion* — **cut back** heavily to save money.
- *Place* — **narrowed** to only the outlets that remain profitable.

Extension strategies. An **extension strategy** is a marketing action taken to **prolong the maturity stage or revive a product in decline**, so that the product's life is extended and the fall in sales is delayed or reversed. On the life-cycle graph an extension strategy shows up as the **dashed line** that keeps sales high (or lifts them again) instead of letting the curve drop away into decline. Common extension strategies include:

- **adding new features or improving the product** — a redesign, a new model or added functionality;
- **finding new markets** — selling to a new customer segment, or into new regions or export markets;
- **finding new uses** — promoting additional ways the existing product can be used;
- **repackaging or rebranding** — new packaging, a fresh look, or limited editions;
- **changing price or promotion** — a new advertising campaign, or price cuts to attract new buyers.

Because the appropriate marketing strategy is so different at each stage, identifying **where a product sits on the curve** is the first step in deciding what to do with the marketing mix — heavy informative promotion and selective distribution at introduction; wider distribution and persuasive promotion at growth; price competition, reminder promotion and extension at maturity; and cost-cutting or revival at decline.

Keeping the stages straight.

- **Maturity is a plateau; decline is a fall.** At **maturity** sales are **high but flat** — growth has stopped, but sales have *not* dropped. At **decline** sales are actually **falling**. A common error is to call a levelling-off "decline": if sales are still high and steady, the product is *mature*, not declining.
- **Extension prolongs; it does not restart.** An extension strategy **stretches out maturity or lifts a declining product**; it does **not** send the product back to the introduction stage. Sales are prolonged, not reset to zero — the business is extending an existing curve, not launching a new product.
- **Sales and profit move differently.** Profit does **not** track sales exactly. Profit is **negative** at introduction, usually **peaks during growth** (before sales peak), and then **declines through maturity** even while sales are still at their highest, because of price competition and rising marketing costs.

- **The life cycle is of a product, not the business.** Different products a business sells can be at different stages at the same time; managing that mix of products is itself part of marketing strategy.

Contemporary example — Telstra, October 2024

Telstra is a telecommunications provider, headquartered in Melbourne, that sells mobile and internet services across Australia.

Telstra announced in 2019 that it would close its 3G mobile network, and later extended the closing date by two months, to 28 October 2024. From that date the network was progressively switched off — Tasmania first, with the rest of Australia completed by 4 November 2024 — and customers whose handsets, alarms or other equipment relied on 3G had to move to 4G or 5G devices beforehand or lose service, including the ability to call Triple Zero.

This is the **decline** stage of the product life cycle, ending in **withdrawal**. 3G was a product in decline: customers were steadily moving to **4G and 5G**, newer technology that did the job better, which the theory identifies as a classic cause of decline. Faced with the three choices open to a business at decline, Telstra did not **revive** the service with an **extension strategy** or **harvest** it indefinitely — it **withdrew** the product on a set date. The marketing mix moved with the stage: **promotion** was no longer used to sell 3G but to tell customers how to migrate before the closing date, and **place** disappeared entirely once the network was switched off. The example also shows that the life cycle belongs to a **product**, not the business — Telstra withdrew one generation of network service while its 4G and 5G services continued.

Source: Telstra, "We're keeping our 3G network running until 28 October 2024", Telstra Exchange, 6 May 2024 — https://www.telstra.com.au/exchange/3g-network-closure-extended. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Aura Buds are wireless earbuds launched two years ago. Sales have climbed steeply since launch, several competitors have now released rival earbuds, and the maker is expanding into many more electronics stores. Identify the stage of the product life cycle Aura Buds has reached, and describe the marketing strategy that suits this stage.

Working	Comment
Sales are **rising rapidly** and **competitors are entering** the market → this matches the **growth** stage.	Match the sales behaviour (and the entry of competitors) to a stage.
∴ Aura Buds is in the **growth** stage.	State the stage clearly.
At growth the aim is to **build brand preference and maximise market share**, so the strategy is: widen **distribution** to more outlets (as the business is doing), use **persuasive** promotion that explains why Aura Buds beats the new rivals, and **improve the product** with new features to stay ahead.	Link the stage to the marketing-mix strategy — this is what the question rewards.
∴ a growth-stage strategy of wider distribution, persuasive promotion and product improvement suits Aura Buds, because it converts rising demand into a strong, defended market share.	Conclude by tying the strategy back to the stage's goal.

Example 2 — scaffolded

GlowMint toothpaste has sold steadily as a market leader for many years, but its sales have just begun to slip as newer whitening brands appear. Propose an extension strategy the business could use, and explain how it would affect the product's life cycle.

Working	Comment
GlowMint's sales were flat for years (**maturity**) and are now starting to fall (early **decline**), so an **extension**	First place the product on the curve to justify using extension.

Working	Comment
strategy is appropriate to prolong its life.	
Propose a specific strategy: relaunch GlowMint in a **new "whitening + enamel-care" variant with new packaging**, and promote it to a **new market segment** (younger consumers).	"Propose" requires a specific, worked strategy — not just the word "extension".
This lifts sales by attracting new buyers and giving existing customers a reason to keep buying, so on the graph the sales curve is **held up (the dashed line) instead of falling** into decline.	Explain the mechanism and link it to the curve.
∴ the extension strategy **prolongs maturity and delays decline** — it does not return GlowMint to the introduction stage.	Reinforce that extension prolongs rather than restarts the cycle.

Example 3 — unscaffolded

Distinguish between the maturity stage and the decline stage of the product life cycle.

In the **maturity** stage a product's sales have **stopped growing and levelled off at their peak**, as the market becomes saturated; sales are **high but flat**, competition is intense, and the business focuses on **defending its market share** through price competition, reminder promotion and extension strategies. In the **decline** stage sales are **falling** as customers move to newer or better products; the business is no longer defending share but instead **cutting costs**, reducing the range, narrowing distribution and deciding whether to revive, harvest or withdraw the product. The key difference is the **direction of sales** — flat and high at maturity versus falling at decline — and the resulting shift in strategy from **defending** the product to **cutting back on** it. ∴ a product with high but steady sales is mature, whereas one with clearly falling sales has entered decline.

Example 4 — unscaffolded

Explain the relationship between the introduction stage and the marketing strategy a business would use.

In the **introduction** stage a product is newly launched, so **sales are low and grow slowly** and the product typically makes a **loss** because launch and promotion costs are high while few customers yet know the product exists. This shapes the marketing strategy directly: because the main barrier is **lack of awareness**, the business relies on **heavy, informative promotion** to tell the target market what the product is and does. It commonly sets either a low **penetration** price to attract customers quickly or a high **skimming** price to recover development costs, offers a **single basic version** of the product, and uses **selective distribution** while demand is still unproven. ∴ the introduction stage — low, slow sales and low awareness — causes the business to concentrate its marketing mix on building awareness and encouraging trial rather than on defending share or cutting costs.

Practice questions

Scaffolded

Q1. Define the term *product life cycle*.

Q2. List the four stages of the product life cycle in the order a product passes through them.

Q3. Name the stage of the product life cycle being described in each case: (a) sales are falling as customers switch to newer products; (b) sales are low and growing slowly just after launch; (c) sales have levelled off at their peak as the market becomes saturated.

Q4. A snack brand's sales have stopped growing, and competitors are now discounting heavily. (a) Identify the stage of the product life cycle the snack has reached. (b) Suggest **one** extension strategy the business could use.

Q5. Outline **two** features of the **growth** stage (one relating to sales and one relating to profit).

Q6. Explain the difference between the **decline** stage and an **extension strategy**.

Unscaffolded

Q7. Outline what is meant by an *extension strategy*. *(2 marks)*

Q8. Identify the four stages of the product life cycle and describe the behaviour of sales in each. *(4 marks)*

Q9. Distinguish between the **introduction** stage and the **growth** stage of the product life cycle. *(4 marks)*

Q10. Explain why a product typically makes a **loss** during the introduction stage. *(3 marks)*

Q11. Describe **two** extension strategies a business could use to prolong the maturity stage of a product. *(4 marks)*

Q12. Explain the relationship between the **maturity** stage and the marketing strategy a business would adopt. *(4 marks)*

Q13. Compare the **growth** stage and the **decline** stage in terms of sales behaviour and marketing strategy. *(4 marks)*

Q14. Analyse how the stage a product has reached in its life cycle affects a business's choice of marketing strategy. *(6 marks)*

Q15. *Case study.* **Crunchoro** is a breakfast cereal launched twelve years ago by Sunfield Foods. For years it was one of the best-selling cereals in its category, but its sales sat flat for a long period and have now started to slip as shoppers move towards high-protein and lower-sugar breakfast options. Sunfield Foods must decide whether to discontinue Crunchoro or invest in reviving it. Internal figures show Crunchoro's annual sales have fallen from about $40 million to $34 million over two years, while the company's newer high-protein cereal is growing quickly. (a) Identify the stage of the product life cycle Crunchoro has reached, using evidence from the case study. *(2 marks)* (b) Explain why Sunfield Foods might choose an extension strategy for Crunchoro rather than withdrawing it. *(4 marks)* (c) Propose and justify **one** extension strategy for Crunchoro, and explain the change to the marketing mix it would involve. *(6 marks)*

Q16. Discuss the use of extension strategies for a product in the maturity stage. *(6 marks)*

Q17. Evaluate the usefulness of the product life cycle as a tool for making marketing decisions. *(6 marks)*

Q18. Justify the use of an extension strategy rather than allowing a product to move into decline. *(4 marks)*

Q19. *Extended response.* "A product's marketing cannot stand still, because the product itself is always ageing." Analyse the relationship between the stages of the product life cycle and the choice of marketing strategy, and analyse how extension strategies can be used to prolong a product's life. Refer to a fictional or studied product in your response. *(10 marks)*

Q20. *Contemporary example.* In 2019 Telstra announced that it would close its 3G mobile network, and after later extending the closing date by two months it switched the network off from 28 October 2024, with customers required to move to 4G or 5G devices. Analyse Telstra's decision using the product life cycle, including why an extension strategy was not used. *(6 marks)*

Answers

Q1. The stages a product passes through — introduction, growth, maturity and decline — described by the pattern of its sales over time. **Q2.** Introduction, growth, maturity, decline. **Q3.** (a) decline; (b) introduction; (c) maturity. **Q4.** (a) Maturity. (b) Any one extension strategy, e.g. add new features, target a new market, find new uses, repackage/rebrand, or run a new promotion. **Q5.** Sales: rise rapidly. Profit: rises strongly and often peaks late in the stage. See solutions. **Q6.** Decline = a stage where sales are falling; an extension strategy = a marketing action used to prolong maturity/revive a product so it does *not* decline. See solutions. **Q7.** A marketing action used to prolong the maturity stage or revive a declining product, extending its life. See solutions. **Q8.** Introduction (low, slow-growing sales); growth (rapidly rising sales); maturity (sales peak and plateau); decline (falling sales). See solutions. **Q9.** Both are early stages with rising sales; introduction = low/slow with losses, growth = rapid rise with strong profit and competitors entering. See solutions. **Q10.** High development, launch and promotion costs are set against low sales volume. See solutions. **Q11.** Any two of: new features, new markets, new uses, repackaging/rebranding, new price/promotion — each described. See solutions. **Q12.** Maturity (high, flat sales, saturated market, intense competition) → defend share via price competition, reminder promotion, differentiation and extension. See solutions. **Q13.** Similarity + differences in sales (rising vs falling) and strategy (build share vs cut costs). See solutions. **Q14.** Model response in solutions. **Q15.** (a) Decline (sales falling \$40m→\$34m; shoppers switching). (b) Retains an established brand, avoids write-off, cheaper than a new launch, may return to profit. (c) Model response in solutions. **Q16.** Advantages and disadvantages of extension strategies. See solutions. **Q17.** Evaluation — usefulness and limitations of the PLC plus a judgement. See solutions. **Q18.** Argue why extension is worthwhile — protects sales/profit, uses an existing brand. See solutions. **Q19.** Model response in solutions. **Q20.** Decline stage, ending in withdrawal rather than extension — the fall in demand was caused by a permanent shift to newer technology that no extension strategy could reverse. Model response in solutions.

Fully-worked solutions

Q5. *(One feature relating to sales and one relating to profit.)* **Sales** — in the **growth** stage sales **rise rapidly**, and this is the stage of fastest growth: the product has gained acceptance, word of it spreads and many more customers buy, which is also what draws **competitors** into the market. **Profit** — profit **rises strongly** and typically reaches its **highest point towards the end of the growth stage**, because the higher volumes spread the fixed costs of developing and launching the product so unit costs fall, while prices are still holding up. Note that profit peaks *before* sales do: sales keep climbing into maturity, but profit starts to fall once price and promotion competition intensifies.

Q6. The **decline** stage is a **stage of the product life cycle** — the period in which a product's **sales fall, and keep falling**, as customers move to newer or better products, with profit falling alongside them. An **extension strategy** is **not a stage at all** but a **marketing action the business takes —** such as adding new features, finding new markets or new uses, repackaging or rebranding, or changing price and promotion — in order to **prolong the maturity stage or revive a product that has begun to decline**. The difference is therefore one of what each thing *is* and what it *does*: decline **describes what is happening** to a product's sales, whereas an extension strategy is **something the business does** to delay or reverse that fall. On the life-cycle graph, decline is where the curve drops away, while an extension strategy is the **dashed line** that holds sales up instead — and it prolongs the existing curve rather than returning the product to the introduction stage.

Q7. An **extension strategy** is a **marketing action** a business takes to **prolong the maturity stage of a product or revive a product that has begun to decline**, so that the product's life is **extended** and the fall in sales is delayed or reversed. Examples include adding new features, targeting new markets and repackaging the product.

Q8. The four stages are **introduction, growth, maturity and decline**. In **introduction**, sales are **low and grow slowly** because few customers are aware of the newly launched product. In **growth**, sales **rise rapidly** as the product gains acceptance and word spreads. In **maturity**, sales growth **slows and levels off at a peak** as the market becomes saturated. In **decline**, sales **fall** as customers move to newer or better products.

Q9. The **introduction** and **growth** stages are **similar** in that both are early stages in which sales are increasing. They **differ** in the *rate* of sales and in profitability. In **introduction**, sales are **low and rise only slowly** because the product is new and awareness is limited, and the product typically makes a **loss** due to high launch and promotion costs. In **growth**, sales **rise rapidly** as the product gains acceptance, profit **rises strongly** (often peaking late in the stage), and

competitors enter the market. The distinguishing point is therefore that introduction involves slow, unprofitable early sales, whereas growth involves fast, profitable expansion.

Q10. A product typically makes a **loss** in the introduction stage because its **costs are high while its sales are low**. The business has usually spent heavily on **developing and launching** the product, and it must fund **heavy informative promotion** to build awareness among customers who do not yet know the product exists. At the same time, **sales volume is still low and grows only slowly**, because few customers are willing to try an unproven product. With large upfront and promotional costs set against small revenue, the product does not yet cover its costs, so it operates at a loss until sales rise in the growth stage.

Q11. *(Any two, clearly described.)* **New features / product improvement** — the business redesigns the product or adds functions (for example, a new model or an improved formula) so it appeals to customers again and gives them a reason to keep buying. **New markets** — the business sells the existing product to a **new segment or region**, such as targeting a different age group or beginning to export, which brings in fresh buyers. **New uses** — the business promotes **additional ways to use** the product, expanding demand without changing the product itself. **Repackaging or rebranding** — a fresh look, new packaging or a limited edition renews interest at the point of sale. Each strategy is designed to **lift or sustain sales during maturity**, prolonging the product's life.

Q12. In the **maturity** stage a product's sales are **high but have levelled off**, the market is **saturated**, and competition is **intense**, so profit begins to fall. This shapes the marketing strategy towards **defending market share and differentiating** the product rather than growing sales. As a result the business typically competes on **price** (discounts, promotions and loyalty offers to retain customers), uses **reminder promotion** to keep the brand front-of-mind and stress its points of difference, keeps **distribution wide** to defend availability, and applies **extension strategies** (such as new features or new markets) to hold sales up. In short, because maturity means high but stalling sales in a crowded market, the marketing strategy switches from *building* the market to *defending and extending* the business's position within it.

Q13. The **growth** and **decline** stages are **similar** in that both are stages of the product life cycle in which sales are changing and the marketing strategy must respond. However, they **differ** sharply. *A difference in sales:* in **growth**, sales are **rising rapidly** as the product gains acceptance, whereas in **decline**, sales are **falling** as customers switch to newer products. *A difference in strategy:* in **growth** the business **invests to build market share** — widening distribution, using persuasive promotion and improving the product — whereas in **decline** it **cuts back to minimise cost** — narrowing distribution, reducing promotion and trimming the range (or attempting an extension strategy). The signpost is that *a similarity is that both require an active marketing response, whereas a difference is that growth calls for investment to expand while decline calls for cost-cutting or revival.*

Q14. The stage a product has reached in its life cycle **strongly affects the choice of marketing strategy**, because each stage presents a different sales pattern and a different marketing problem, and the mix must be adjusted to suit. In **introduction**, sales are low and awareness is the barrier, so the business concentrates on **informative promotion** and selective distribution to encourage trial — even at a loss. As the product moves into **growth**, rapidly rising sales and the arrival of competitors shift the problem to winning preference, so the business **widens distribution**, uses **persuasive promotion** and **improves the product** to capture market share. At **maturity**, sales plateau in a saturated, competitive market, so the strategy changes again to **defending share** — price competition, reminder promotion, differentiation and **extension strategies** to keep sales up. Finally, in **decline**, falling sales cause the business to **cut costs**, narrow distribution and reduce the range, unless it chooses to revive the product. In this way the life-cycle stage acts as a diagnosis that **determines** which elements of the marketing mix the business emphasises: identifying the stage tells the business whether to build awareness, grow share, defend and extend, or cut back. The relationship is therefore causal — a change in the product's stage drives a corresponding change in marketing strategy. *(A full-mark analyse response shows causal links between each stage and the resulting strategy, not merely a list of the stages.)*

Q15. (a) Crunchoro has reached the **decline** stage. Its sales sat flat for a long period (maturity) and are now **falling** — from about $40 million to $34 million over two years — as shoppers switch to high-protein and lower-sugar options, which is the falling-sales behaviour that defines decline.

(b) Sunfield Foods might choose an **extension strategy** rather than withdrawing Crunchoro for several reasons. First, Crunchoro is an **established brand** with twelve years of recognition and a base of loyal customers, so reviving it is likely to be **cheaper and lower-risk** than developing and launching a brand-new cereal from scratch. Second, an extension strategy could **slow or reverse the fall in sales**, returning the product to profit and continuing to generate revenue and contribute to overheads. Third, **withdrawing the product wastes** the value already built up in the brand, its shelf space and its supplier and retailer relationships. Provided the decline is not terminal, extending Crunchoro's life lets Sunfield keep earning from an asset it has already paid to build, rather than writing it off.

(c) *(Propose and justify one strategy + the marketing-mix change.)* Sunfield Foods could **reformulate and reposition Crunchoro as a high-protein, lower-sugar cereal, relaunched in new packaging and targeted at health-conscious buyers** — a combined **new-features / new-market** extension strategy. This is **justified** because it directly attacks the *cause* of the decline: shoppers are leaving Crunchoro precisely because they want healthier options, so giving them a healthier Crunchoro removes their reason to switch and can win back lost customers as well as attract new health-focused buyers. The **marketing mix would change** accordingly: the **product** is reformulated (more protein, less sugar) and given **new packaging** that signals the change; **promotion** becomes a fresh campaign emphasising the healthier recipe to keep the brand front-of-mind and reach the new segment; **price** might be lifted slightly to match premium health cereals or discounted at first to encourage trial of the new version; and **place** could expand into health-food aisles or stores. On the life-cycle graph, this holds Crunchoro's sales up (the dashed extension line) instead of letting them keep falling. ∴ the strategy is well suited because it prolongs Crunchoro's life by realigning the product with what its market now wants. *(Full marks require a specific, worked strategy — not just the word "extension" — justified against the case study, with a clear marketing-mix change and a link to the product life cycle.)*

Q16. Extension strategies have both **advantages and disadvantages** for a product in maturity. *Advantages:* they can **prolong the maturity stage and delay decline**, sustaining the sales and profit of an established product; they are usually **cheaper and lower-risk than launching a new product**, because they build on an existing brand, customer base and distribution; and they can **refresh customer interest** and defend market share against competitors (for example, a new variant or a new target market brings in fresh buyers). *Disadvantages:* an extension strategy **costs money** (reformulating, repackaging or advertising) with **no guarantee it will work** — if the product's decline is driven by a permanent change in tastes or technology, extension may only delay the inevitable; **repeated** minor changes can make a brand look tired or confuse customers; and effort spent propping up an ageing product may **divert resources** from developing genuinely new products. Overall, extension strategies are a valuable way to get more life out of a mature product, but their success depends on choosing a strategy that addresses the real reason sales have stalled. *(Discuss requires advantages and disadvantages; a judgement is not required, and a point should not be double-dipped as both an advantage and a disadvantage.)*

Q17. The product life cycle is a **useful but limited** tool for marketing decisions. Its **usefulness** is that it provides a **simple framework** for diagnosing where a product stands and **anticipating** what will happen to sales, which helps a business **plan the marketing mix in advance** — building awareness at introduction, growing share at growth, defending and extending at maturity, and managing costs at decline. It also prompts the business to plan **extension strategies** before sales fall and to manage a **portfolio** of products at different stages so that new products are ready as old ones decline. **However**, its usefulness is constrained. The model is a **generalisation**: not every product follows the classic curve — some fail almost immediately, some (fads) rise and fall very fast, and some (staples) stay mature for decades. It can be **hard to tell which stage a product is really in** at the time — a dip in sales may be temporary rather than decline — so acting on the wrong diagnosis can be costly. It can also become a **self-fulfilling prophecy** if a business withdraws support from a product it wrongly believes is declining. **On balance**, the product life cycle is a valuable **planning and diagnostic aid** whose benefit clearly outweighs its cost, **provided** managers treat it as a guide to be combined with real sales data and judgement rather than a rigid prediction of what every product will do. *(Evaluate requires advantages, disadvantages and a supported judgement that adds value — not a generic "the advantages outweigh the disadvantages".)*

Q18. Using an **extension strategy** rather than allowing a product to move into decline is **justified** because it **protects the sales and profit of an established product** at relatively low cost and risk. When a mature product's sales begin to slow, an extension strategy — such as adding new features, targeting a new market or repackaging — can **lift or sustain sales**, keeping the product profitable and continuing to contribute to the business's revenue and overheads. This is **cheaper and lower-risk than developing a new product from scratch**, because the business builds on a **brand customers already recognise**, an existing customer base and established distribution, so it avoids the heavy costs and losses of a fresh introduction stage. Allowing the product to decline, by contrast, **wastes** the value already invested in the brand and surrenders sales to competitors. For these reasons, extending the life of a product the business has already paid to build is generally the more worthwhile choice, provided a suitable strategy is available to address why sales have stalled. ∴ extension should be preferred because it defends existing sales and brand value at lower cost than accepting decline. *(Justify requires an argued case with reasons and benefits — not merely a description of what an extension strategy is.)*

Q19. *Model response (10 marks).* The product life cycle describes the stages a product passes through from launch to withdrawal — **introduction, growth, maturity and decline** — measured by its sales over time. Because the sales pattern and the marketing problem are different at each stage, the relationship between the stage and the marketing strategy is a **causal** one: the stage a product has reached *determines* how the business should use its marketing mix, and a product's marketing cannot "stand still" precisely because the product is always ageing.

At **introduction**, sales are low and grow slowly and the product usually makes a loss, so the business concentrates on **informative promotion** to build awareness and encourage trial, sets a penetration or skimming price, and uses selective distribution. As the product enters **growth**, sales rise rapidly and competitors arrive, so the strategy shifts to **winning market share** — widening distribution, using persuasive promotion to build brand preference, and improving the product. At **maturity**, sales plateau in a saturated, competitive market and profit begins to fall, so the strategy changes again to **defending share and differentiating** — price competition, reminder promotion and, crucially, extension strategies. In **decline**, falling sales lead the business either to **cut costs** (narrowing the range, distribution and promotion) or to attempt to revive the product. Each stage therefore causes a distinct response, and misreading the stage — for example, treating a temporary dip as decline and cutting support — can damage a still-viable product.

Extension strategies are the main way a business prolongs a product's life. An extension strategy is a marketing action taken to **prolong maturity or revive a declining product**, and on the life-cycle graph it holds the sales curve up (the dashed extension line) instead of letting it fall. Common approaches include adding **new features**, finding **new markets** or **new uses**, and **repackaging or rebranding**. Consider a fictional sports drink, **Voltade**, whose sales have flattened after years as a market leader. Rather than let it decline, its maker launches a **sugar-free variant in new packaging** (new features) and promotes it to **gym-goers and office workers** (a new market). This lifts sales by giving existing customers a reason to keep buying and attracting new ones, prolonging maturity — but it is important to note that extension **prolongs the existing curve; it does not restart the cycle**, so Voltade does not return to the introduction stage, and the strategy only works if it addresses the real reason sales had stalled.

Overall, the stages of the product life cycle and the choice of marketing strategy are tightly linked: identifying a product's stage tells the business whether to build awareness, grow share, defend and extend, or cut back, and extension strategies allow a business to stretch out the profitable maturity stage and delay decline. Because a product is always moving along the curve, its marketing must change with it — a business that keeps diagnosing the stage and adjusting the mix, and that plans extension strategies before sales fall, gets the most value from each product over its life. *(Full marks require: accurate coverage of all four stages; sustained, causal links between each stage and the marketing strategy; correct treatment of extension strategies as prolonging rather than restarting the cycle; direct application to a fictional or studied product; and engagement with the opening statement.)*

Q20. Telstra's 3G network had reached the **decline** stage of the product life cycle. Sales fall in decline because customers move to newer or better products, and that is what occurred here: mobile users migrated to **4G and 5G**, newer technology that did the job better, so demand for 3G kept **falling** rather than simply levelling off — the falling-sales behaviour that distinguishes **decline** from **maturity**. At decline a business must choose between **reviving** the product with an extension strategy, **harvesting** it, or **withdrawing** it from sale, and Telstra chose to **withdraw** it on a set date.

An **extension strategy** was not appropriate because of *why* the product was declining. Extension — new features, new markets, new uses, repackaging, or a change in price or promotion — works by giving customers a reason to keep buying an existing product, so it can only succeed where the fall in sales is something marketing can address. Here the cause was a **permanent change in technology**: 3G could not be redesigned into 4G, and the customers leaving were not leaving for reasons a new campaign or a price cut could reverse, so an extension strategy would have cost money while only delaying the inevitable. Withdrawal also released the radio spectrum 3G used for the newer services, which were at earlier stages of their own life cycles.

The **marketing mix** changed exactly as the decline stage predicts: **promotion** was no longer used to sell 3G but to tell customers to migrate before the closing date, and **place** ended altogether once the network was switched off. The long notice given from 2019, and the two-month extension of the closing date, show the business **managing** a planned withdrawal so customers could move across. ∴ Telstra’s 3G closure demonstrates a product in **decline** being **withdrawn** rather than extended, because the decline was driven by a technological shift that no extension strategy could reverse. *(A full-mark analyse response identifies the stage with evidence, links it causally to the strategy chosen, and explains why extension was not suitable — not merely a description of the stages.)*

Chapter 12 The marketing mix and marketing strategies — 12C Customer relations strategies

Theory

Attracting a customer for the first time is only half the task of building a **customer base**. A new business also needs those customers to **come back** and to **speak well of it** to others, because a base of loyal, returning customers is far cheaper to sell to — and far more stable — than a stream of one-off buyers who must constantly be replaced. **Customer relations** is the way a business builds and maintains **positive, ongoing relationships** with its customers — before, during and after a sale — so that they stay satisfied and keep choosing the business over its competitors. **Customer relations strategies** are the deliberate approaches a business uses to do this. The study design highlights two: **providing quality customer service** and **establishing customer loyalty programs**. For each, it asks students to understand both the **features** — what the strategy involves and what it looks like in practice — and the **value** — the worth or benefit it delivers to the business. Keeping these two ideas apart is essential, because exam questions frequently ask for one and not the other.

Quality customer service. *Quality customer service* means providing service that **meets or exceeds customers' expectations at every point of contact** — service that is helpful, timely, knowledgeable and courteous from the first enquiry through to well after the sale. It is delivered mainly by **people and systems** rather than by a formal scheme, and it shapes how a customer *feels* about dealing with the business.

- **Knowledgeable staff.** Staff who **understand the products or services** thoroughly can give customers **accurate advice**, match them to the right product, answer technical questions and build confidence in the purchase. A customer who is guided to the right choice is more likely to be satisfied and to trust the business again.
- **Responsive staff.** Staff who are **attentive, approachable and prompt** — greeting customers, answering queries quickly, returning calls and emails without delay, and not leaving customers waiting — make dealing with the business easy and pleasant. Responsiveness signals that the business **values the customer's time**.
- **After-sales support.** Help provided **after the purchase** — such as **warranties, returns and refunds, installation, servicing, technical help and follow-up contact**. Good after-sales support reassures customers that the business stands behind what it sells, which reduces the perceived **risk** of buying and strengthens the relationship beyond a single transaction.
- **Effective complaint handling.** Dealing with complaints **promptly, fairly and courteously** — listening, apologising where appropriate, and **resolving the problem** (for example with a replacement, refund or fix). Handled well, a complaint can actually **strengthen** loyalty: a customer whose problem is fixed quickly often becomes *more* loyal than one who never had a problem, whereas an ignored complaint can turn into a damaging negative review.

Customer loyalty programs. A *customer loyalty program* is a **structured scheme that rewards customers for repeat purchases or ongoing engagement**, deliberately giving them a reason to keep buying from the business rather than from a competitor. Where quality customer service works through the *feel* of every interaction, a loyalty program works through a **formal system of incentives**.

- **Rewards.** Members receive **benefits for their continued custom** — such as discounts, vouchers, a free item after a set number of purchases (for example a free coffee after nine), free delivery, or exclusive access to sales and new products. The reward gives the customer a **tangible reason to return**.
- **Points.** Customers **earn points for every dollar they spend**, which **accumulate** and can later be **redeemed** for discounts, products or credit. Because points build up over time, they encourage customers to **concentrate their spending** with the one business to reach the next reward.
- **Memberships and tiers.** Customers **sign up as members** (free or paid) to receive member-only prices, offers and perks. Programs are often **tiered** — for example silver, gold and platinum levels — where **spending more unlocks better benefits**, motivating customers to buy more to move up.
- **Data collection.** Because members identify themselves at each purchase, a loyalty program lets the business **collect data on who buys what and how often**, which it can use for **personalised offers and better marketing decisions**. (This makes protecting that data a genuine responsibility for the business.)

The value of customer relations strategies. Whichever strategy is used, the **value** to the business flows from the same handful of benefits — and these are the terms an examiner expects in a “value” answer:

- **Repeat business.** Satisfied, rewarded customers **buy again**, generating a steady stream of sales from people the business has already won rather than having to find new customers for every sale.
- **Customer retention.** Good relationships **keep existing customers over time** instead of losing them to rivals. Loyalty programs add a **switching cost** — leaving means giving up accumulated points or member benefits — which makes customers “stickier”.
- **Positive word-of-mouth.** Happy customers **recommend the business to friends, family and online**, providing **free, highly credible promotion** that attracts new customers at little cost — especially valuable to a new business with a small marketing budget.
- **Competitive advantage.** A strong relationship is **hard for competitors to copy**. Where products and prices are similar, the **quality of service and the loyalty a business has built** can be the reason a customer chooses it over an otherwise identical rival, helping it stand out and hold market share.
- **Higher customer lifetime value.** *Customer lifetime value* is the **total value a business earns from a customer over the whole time they keep buying**. Because retaining an existing customer is usually **cheaper than acquiring a new one**, a loyal customer who returns for years — and brings others through word-of-mouth — is worth far more than a one-off buyer. Customer relations strategies raise lifetime value by lengthening the relationship and lifting how much and how often each customer spends.

For a business **establishing a customer base**, these benefits matter enormously: turning first-time buyers into **loyal, repeat customers** converts a fragile trickle of new sales into a **stable foundation of revenue** and helps the business become known and trusted quickly.

Key ideas to keep straight.

- **Features are not value.** A **feature** is *what the strategy is or involves* (points, tiers, knowledgeable staff, after-sales support); its **value** is *the benefit the business gains from it* (repeat business, retention, word-of-mouth, competitive advantage, higher lifetime value). “Describe a feature” and “explain the value” are different tasks — answer the one asked.
- **Quality customer service is not the same as a loyalty program.** Quality customer service is about the **quality of every interaction** — delivered through people and support — and costs little but effort and training. A loyalty program is a **structured reward scheme** that formally incentivises repeat custom, and it has a direct financial cost (the rewards). The two are **complementary**: a loyalty program that rewards customers who then receive poor service will not keep them.
- **Retention, not just acquisition.** Customer relations focuses on **keeping and growing existing customers**, which is generally cheaper and more reliable than constantly **winning new ones**. This is why the strategies are so valuable when a business is small and building its base.
- **Customer relations is not public relations.** Customer relations concerns the **direct relationship with the people who buy** from the business; public relations (covered later) concerns the business’s **broader public image and reputation**. Do not confuse the two.

Contemporary example — Qantas, October 2024

Qantas is an Australian airline group carrying passengers on domestic and international routes. On **8 October 2024** the Federal Court ordered Qantas to pay a penalty of **$100 million** for misleading consumers: after it had decided to cancel flights, it continued to offer and sell tickets on those flights for two or more days, and it did not promptly tell existing ticketholders that their flights had been cancelled. Qantas admitted the conduct in an agreement with the ACCC announced on **6 May 2024**.

Alongside the penalty, Qantas undertook to pay about **$20 million** directly to affected customers through a remediation program: **$225** to each eligible domestic and trans-Tasman ticketholder and **$450** to each eligible international ticketholder. Eligible customers were contacted and could claim their payment through an administered program, with claims closing on **6 May 2025**.

The remediation is the customer relations point. A failure in what customers were told about their own bookings is precisely what **effective complaint handling** and **after-sales support** exist to address, and the response here was a

structured, funded scheme rather than an apology alone — a set payment to each affected customer instead of a case-by-case argument. This is the reasoning the subtopic teaches, applied at scale: a customer whose problem is actually **resolved** may still return, supporting **repeat business** and **customer retention**, whereas an unresolved complaint loses that customer and risks negative **word-of-mouth** to others.

Source: ACCC, "Federal Court orders Qantas to pay $100m in penalties for misleading consumers", 8 October 2024 — https://www.accc.gov.au/media-release/federal-court-orders-qantas-to-pay-100m-in-penalties-for-misleading-consumers. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Corva Coffee is a newly opened café. To encourage customers to return, the owner introduces a card that gives a **free coffee after nine purchases**. Explain how this **customer loyalty program** could add value to the business.

Working	Comment
A customer loyalty program is a structured scheme that rewards customers for repeat purchases. The free-coffee card is a **rewards** feature.	Name the strategy and identify which feature is being used.
The reward gives customers a **reason to keep returning to Corva Coffee** rather than buying elsewhere, so they concentrate their coffee spending here to reach the free cup.	Link the feature to a change in customer behaviour — repeat business.
More repeat visits mean **steadier sales and better customer retention**, and satisfied regulars are likely to **recommend the café to others** (word-of-mouth).	Translate the behaviour into the value terms: repeat business, retention, word-of-mouth.
∴ the loyalty program adds value by turning first-time buyers into **loyal, repeat customers**, giving the new café a more stable customer base and lifting each customer's lifetime value.	State the causal conclusion in terms of value.

Example 2 — scaffolded

Brightwave Electronics sells televisions and computers, products that are also sold by several larger competitors at similar prices. Explain how **quality customer service** could give Brightwave a competitive advantage.

Working	Comment
Quality customer service means service that meets or exceeds customer expectations — here through **knowledgeable staff** and **after-sales support**.	Identify the relevant features of quality customer service.
Because rival stores sell the same products at similar prices, customers cannot easily tell them apart on **product or price** alone.	Establish why service, not the product, is the point of difference.
Brightwave's staff can **advise customers expertly** on which device suits them, and its **after-sales support** (help setting up, warranties, servicing) **reduces the risk** of buying — things the customer values and rivals may not match.	Explain how the service features create a difference customers care about.
∴ quality customer service gives Brightwave a **competitive advantage**, because when products and prices are similar, superior service becomes the reason customers choose it — and return.	Conclude with the value term the question asked for.

Example 3 — unscaffolded

Distinguish between **quality customer service** and a **customer loyalty program** as customer relations strategies.

Quality customer service is a customer relations strategy focused on the **quality of every interaction** a customer has with the business — delivered through **knowledgeable and responsive staff, after-sales support and effective complaint handling** — so that the customer's experience meets or exceeds their expectations. A **customer loyalty program**, by contrast, is a **structured scheme** that **rewards customers for repeat purchases** through features such as **points, rewards and tiered memberships**, deliberately giving them an incentive to keep buying from the business. The key difference is in **how each builds the relationship**: quality customer service works through the **experience and feel** of dealing with the business and relies mainly on **people and effort**, whereas a loyalty program works through a **formal system of financial incentives** that has a direct cost. ∴ although both aim to retain customers and encourage repeat business, one does so by making each interaction better and the other by rewarding customers for their ongoing custom.

Example 4 — unscaffolded

A business owner states, "There is no point spending money on a customer loyalty program — winning new customers is what grows a business." Evaluate this statement.

The statement has some merit but is **too one-sided**. It is true that a business must **attract new customers**, and a loyalty program does carry a **real cost** in the rewards it gives away, so a business with no returning customers cannot rely on loyalty alone to grow. **However**, the claim ignores the strong value of retention. Winning a new customer is usually **more expensive** than keeping an existing one, and a loyalty program **encourages repeat business and improves retention** by giving customers a reason — accumulated points or member benefits — to keep buying rather than switching to a competitor. Loyal customers also tend to **spend more over time** and to **recommend the business to others through word-of-mouth**, which itself brings in new customers **at little cost** — so retention and acquisition are not opposites but reinforce each other. A well-designed program also raises each customer's **lifetime value** and yields **data** the business can use to market more effectively. The program's value does, though, depend on its design: rewards must be **affordable and genuinely valued**, and a loyalty program is wasted if the underlying **service is poor**. ∴ the statement is largely mistaken; while attracting new customers matters, a well-designed loyalty program grows a business by **retaining customers, lifting their spending and generating word-of-mouth** — so retention and acquisition should be pursued together, not treated as either/or.

Practice questions

Scaffolded

Q1. Define the term *customer relations*.

Q2. Identify the **two** customer relations strategies named in the study design.

Q3. For each of the following, name the feature of quality customer service being described: (a) staff who understand the products well and can advise customers accurately; (b) help provided after the purchase, such as warranties, servicing and returns; (c) dealing promptly and fairly with a customer's problem to resolve it.

Q4. Explain the difference between the **features** and the **value** of a customer relations strategy.

Q5. Petal & Pot is a new florist that gives members a **points card**, earning one point per dollar spent, redeemable for discounts. (a) Identify the customer relations strategy Petal & Pot is using. (b) Explain **one** way this strategy could benefit the business.

Q6. Explain how **effective complaint handling** can add value to a business.

Unscaffolded

Q7. Outline **one** feature of a customer loyalty program. *(2 marks)*

Q8. Describe how **after-sales support** could improve a business's customer relations. *(3 marks)*

Q9. Explain **two** ways in which providing **quality customer service** can add value to a business. *(4 marks)*

Q10. Distinguish between **customer retention** and **word-of-mouth** as sources of value from customer relations strategies. *(4 marks)*

Q11. Compare **quality customer service** and a **customer loyalty program** as customer relations strategies. *(4 marks)*

Q12. Explain how a customer loyalty program can improve **customer retention**. *(3 marks)*

Q13. Analyse how customer relations strategies can help a business build a **competitive advantage**. *(4 marks)*

Q14. Justify the decision by a new business to **invest in training staff to deliver quality customer service** rather than launching a loyalty program. *(4 marks)*

Q15. Propose and justify **one** customer loyalty program a small café could establish to encourage repeat business. *(4 marks)*

Q16. *Case study.* **Loomly Threads** is a newly established online clothing business run by Ayana. Its clothes are similar in style and price to several larger online rivals. Ayana is deciding how to build a base of returning customers. She is considering two ideas: **a tiered membership program** (free "Loomly Insider" membership, with gold members earning double points and free returns), and **investing in fast, helpful customer service** — quick replies to enquiries, expert sizing advice and an easy, no-questions returns process. (a) Identify **one** feature of the loyalty program Ayana is considering. *(1 mark)* (b) Explain how **quality customer service** could help Loomly Threads compete against its larger rivals. *(3 marks)* (c) Analyse how establishing the **tiered membership program** could affect Loomly Threads' ability to build a customer base. *(4 marks)*

Q17. Discuss the decision by a business to establish a **customer loyalty program**. *(6 marks)*

Q18. Evaluate the use of **quality customer service** as a strategy for a new business seeking to build a loyal customer base. *(6 marks)*

Q19. *Extended response.* A business establishing itself must not only attract customers but keep them. Analyse how the two customer relations strategies — **providing quality customer service** and **establishing customer loyalty programs** — can create value for a business, and evaluate the view that **quality customer service is more valuable than a loyalty program** for a business building its customer base. *(10 marks)*

Q20. *Contemporary example.* On 8 October 2024, the Federal Court ordered the Australian airline **Qantas** to pay a $100 million penalty for misleading consumers about flights it had decided to cancel. Qantas had also undertaken to pay about $20 million to affected customers through a remediation program, paying each eligible ticketholder a set amount of $225 or $450. Analyse how a structured remediation of this kind relates to the **customer relations strategies** studied in this subtopic, and how it could affect the **value** a business gains from them. *(6 marks)*

Answers

Q1. The way a business builds and maintains positive, ongoing relationships with its customers — before, during and after a sale — so they stay satisfied and keep choosing the business. **Q2.** Providing quality customer service; establishing customer loyalty programs. **Q3.** (a) knowledgeable staff; (b) after-sales support; (c) (effective) complaint handling. **Q4.** A *feature* is what the strategy is or involves (e.g. points, knowledgeable staff); its *value* is the benefit the business gains from it (e.g. repeat business, retention). See solutions. **Q5.** (a) A customer loyalty program. (b) e.g. points encourage customers to return and concentrate their spending with Petal & Pot → repeat business/retention. See solutions. **Q6.** Resolving complaints promptly and fairly retains an otherwise-lost customer, can strengthen loyalty, and prevents damaging negative word-of-mouth. See solutions. **Q7.** Any one: rewards (e.g. a free item after set purchases); points earned per dollar and redeemed; memberships/tiers with escalating benefits. See solutions. **Q8.** After-sales support (warranties, servicing, returns, follow-up) reassures customers, reduces the risk of buying and extends the relationship beyond the sale. See solutions. **Q9.** Any two of: repeat business; customer retention; positive word-of-mouth; competitive advantage; higher customer lifetime value — each explained. See solutions. **Q10.** Retention = keeping existing customers over time; word-of-mouth = satisfied customers recommending the business to others (bringing new customers). Distinguish both. See solutions. **Q11.** Similarity: both are customer relations strategies aimed at retaining customers and encouraging repeat business. Difference: service works through the quality of interactions (people/effort); a loyalty program works through a structured reward scheme (direct cost). See solutions. **Q12.** Accumulated points/member benefits create a switching cost, so customers keep buying to keep and use their rewards rather than moving to a rival. See solutions. **Q13.** Causal: relationships are hard to copy; where products/prices are similar, superior service and loyalty become the reason customers choose and stay → holds market share/differentiation. See solutions. **Q14.** Justify — quality service is low-cost, hard to copy, differentiates on a similar product, builds trust and word-of-mouth, and a loyalty program fails without good service underneath it. See solutions. **Q15.** Propose one program (e.g. a points/free-coffee card or tiered membership) + argue why it suits a small café (encourages repeat visits, affordable, builds regulars). See solutions. **Q16.** (a) e.g. tiered membership / double points for gold members / free returns for members. (b) Fast, expert service differentiates it where products and prices are similar; reduces buying risk online. (c) Membership creates a switching cost and rewards repeat purchase → retention and repeat business, building a base; but rewards cost money and must be valued. See solutions. **Q17.** Discuss — advantages (repeat business, retention, data, word-of-mouth) and disadvantages (cost of rewards, admin, must be valued, fails if service is poor); no judgement required; don't double-dip. See solutions. **Q18.** Evaluate — strengths (low cost, hard to copy, differentiation, trust, word-of-mouth) vs limitations (relies on staff/training, inconsistent, slow to build) → evidence-based judgement. See solutions. **Q19.** Model response in solutions. **Q20.** Model response in solutions — the payment scheme is **effective complaint handling and after-sales support** applied at scale (resolving the problem, not just acknowledging it); link causally to repeat business, retention and word-of-mouth, and note the direct cost and that remediation alone does not rebuild a relationship.

Fully-worked solutions

Q4. The **features** of a customer relations strategy are **what the strategy actually is and involves** — its characteristics, or what it looks like in practice. For a loyalty program, features include **points, rewards and tiered memberships**; for quality customer service, features include **knowledgeable and responsive staff, after-sales support and complaint handling**. The **value** of a strategy is **the benefit or worth the business gains from using it** — for example **repeat business, customer retention, positive word-of-mouth, competitive advantage and higher customer lifetime value**. In short, a feature answers *"what is it?"* while value answers *"why is it worth doing?"*. The distinction matters because an exam question that asks for a feature wants the characteristic, whereas one that asks for the value wants the benefit to the business.

Q5. (a) Petal & Pot is using a **customer loyalty program** — a structured scheme that rewards customers for repeat purchases — specifically its **points** feature, where members earn one point per dollar spent and redeem accumulated points for discounts. (b) One way this benefits the business is by **generating repeat business and improving customer retention**. Because points **accumulate** and can only be redeemed at Petal & Pot, customers have a **tangible reason to return** to the florist rather than buying flowers from a competitor, and to **concentrate their spending** with the one business in order to reach a worthwhile discount. The points already earned would be **forfeited by switching**, so the program creates a **switching cost** that makes customers "stickier". For a **new** florist still building its customer base, this helps convert one-off buyers — people who would otherwise buy flowers wherever happens to be convenient — into **regular, returning customers**, giving Petal & Pot a steadier stream of sales. (Positive word-of-mouth, higher customer lifetime value, or the data the program collects for personalised offers would also be creditworthy as the "one way", provided it is explained.)

Q6. Effective complaint handling — dealing with a customer's complaint **promptly, fairly and courteously** and actually **resolving the problem** — adds value because it **recovers a customer who would otherwise be lost**. A customer whose complaint is handled well often becomes **more loyal than before**, because the business has shown it can be trusted to put things right, which encourages **repeat business**. Good complaint handling also **prevents negative word-of-mouth**: an unhappy customer whose problem is ignored is likely to warn others and post negative reviews, whereas a satisfied one may recommend the business. By protecting **retention and reputation**, effective complaint handling turns a potentially damaging situation into an opportunity to strengthen the relationship — real value at little cost.

Q7. One feature of a customer loyalty program is a **points system**, in which customers **earn points for every dollar they spend** that **accumulate over time** and can later be **redeemed** for discounts, free products or credit. Because the points build up, the feature encourages customers to **concentrate their spending with the one business** in order to reach the next reward.

Q8. After-sales support is the help a business provides **after a purchase has been made** — such as **warranties, servicing, technical help, follow-up contact and an easy returns or refunds process**. It improves customer relations because it **reassures customers that the business stands behind what it sells**, which **reduces the risk they feel** in buying and makes them more confident to purchase. Because the support continues the relationship **beyond the single sale**, customers feel looked after and are more likely to **return and to recommend the business**, strengthening the ongoing relationship that customer relations is designed to build.

Q9. Providing **quality customer service** can add value in several ways; two are as follows. First, it drives **repeat business and customer retention**: when staff are knowledgeable and responsive and problems are handled well, customers are **satisfied and return** rather than switching to a competitor, giving the business a **steadier stream of sales** from customers it has already won. Second, it generates **positive word-of-mouth**: customers who receive excellent service **recommend the business to friends, family and online**, providing **free and highly credible promotion** that attracts new customers at little cost. (Either of competitive advantage or higher lifetime value would also be creditworthy.) In both cases, better service today produces **more and cheaper sales** in the future.

Q10. *(Distinguish — both terms must be addressed.)* **Customer retention** is the value that comes from **keeping existing customers over time** — customers who stay with the business and keep buying rather than being lost to competitors, giving a stable and repeat source of revenue. **Word-of-mouth** is the value that comes from **satisfied customers recommending the business to others** — friends, family and online reviews — which **brings in new customers** at little cost. The key difference is in **who benefits the business and how**: retention is about the **existing** customer continuing to buy, whereas word-of-mouth is about that satisfied customer **attracting new** customers. Both flow from strong customer relations, but one keeps the current customer base and the other **grows** it.

Q11. *(Compare — a similarity and a difference are both required.)* **A similarity** is that **quality customer service** and a **customer loyalty program** are both **customer relations strategies** with the same underlying aim — to **retain customers and encourage repeat business** so the business builds a loyal base. **A difference** is in **how each works and what it costs**: quality customer service works through the **quality of every interaction** (knowledgeable, responsive staff, after-sales support and complaint handling) and relies mainly on **people, training and effort**, whereas a loyalty program works through a **structured scheme of financial incentives** (points, rewards, tiered memberships) that has a **direct cost** in the rewards given away. In short, both aim to keep customers coming back, but service does so by making the **experience** better while a loyalty program does so by **rewarding** ongoing custom.

Q12. A customer loyalty program improves **customer retention** by creating a **switching cost** — a reason for the customer to lose out if they leave. As a customer earns **points or moves up membership tiers**, they build up **accumulated benefits** that they can only enjoy by **continuing to buy from the same business**; switching to a competitor would mean **forfeiting those points and perks and starting again from zero**. This makes the customer "stickier": rather than shopping around each time, they **return to the business to keep earning and redeeming rewards**. In this way the program locks in **repeat purchasing**, holding on to existing customers who might otherwise drift to rivals.

Q13. *(Analyse — show the causal effects, not a list of pros and cons.)* Customer relations strategies help build a **competitive advantage** through a chain of effects. Many businesses sell **similar products at similar prices**, so customers cannot easily tell rivals apart on product or price alone. By providing **superior customer service** — expert advice, responsiveness and strong after-sales support — or by rewarding loyalty through a **program**, a business gives customers a **reason to choose and stay with it** that has nothing to do with the product itself. Because a **relationship built on trust and accumulated loyalty is hard for competitors to copy** — a rival can match a price overnight but cannot instantly replicate years of good service or a customer's loyalty-point balance — the advantage is **durable**. This retained, satisfied base then **spreads word-of-mouth**, attracting further customers and reinforcing the lead. ∴ customer relations strategies create competitive advantage by turning the **relationship itself** into the point of difference, which is difficult to imitate and therefore protects the business's market share.

Q14. *(Justify — argue why, with reasoning.)* For a new business, investing in **quality customer service** rather than a loyalty program can be justified on several grounds. First, it is **low-cost relative to its impact**: training staff to be knowledgeable, responsive and good at handling complaints costs mainly **effort**, whereas a loyalty program gives away **rewards** that a cash-strapped start-up may not be able to afford. Second, quality service **differentiates the business where products and prices are similar** and is **hard for competitors to copy**, giving a durable point of difference. Third, excellent service **builds trust and generates word-of-mouth** — vital for a business that is not yet known and cannot rely on a big marketing budget. Finally, service is **foundational**: a loyalty program launched on top of **poor service will not keep customers**, so getting service right first protects every other effort. ∴ investing in quality customer service first is justified because it is **affordable, hard to imitate and the foundation** on which repeat business, word-of-mouth and any later loyalty program all depend.

Q15. *(Propose and justify — do more than name the program; argue why it suits the business.)* One loyalty program a small café could establish is a **digital "buy-nine-get-one-free" rewards card**, where customers scan a code in the café's app each time they buy a coffee and receive a **free coffee on their tenth visit**, with occasional **member-only offers** on food. This program **suits a small café** well because it **directly rewards the repeat purchase the café depends on** — coffee is a frequent, habitual buy, so customers can reach the reward quickly and have a clear reason to **return to the same café rather than a competitor**. It is also **cheap to run** (the only cost is the occasional free coffee, which has a low ingredient cost), it **collects data** on how often members visit for use in targeted offers, and regular members are likely to **recommend the café to others**. ∴ a simple buy-nine-get-one-free rewards program is appropriate for a small café because it rewards frequent repeat custom at low cost, builds a base of regulars and encourages word-of-mouth.

Q16. (a) Any **one** of: **tiered membership** (the "Loomly Insider" levels); **points** (gold members earning double points); or **member rewards** such as **free returns** for members.

(b) **Quality customer service** could help Loomly Threads compete against its larger rivals because its clothes are **similar in style and price**, so customers cannot easily separate it from competitors on the product alone. By offering **quick replies to enquiries, expert sizing advice and an easy, no-questions returns process**, Ayana **reduces the risk customers feel when buying clothes online** — where they cannot try items on — and makes dealing with Loomly **easier and more reassuring** than with a larger, less personal rival. This superior service gives customers a **reason to choose and return to Loomly**, and satisfied customers are likely to **recommend it**, helping a small new business stand out against bigger competitors.

(c) *(Analyse — the causal effect on building a customer base.)* Establishing the **tiered membership program** could affect Loomly Threads' ability to build a customer base through a chain of effects. Offering **free membership with double points and free returns for gold members** gives customers a **reason to keep buying from Loomly** in order to earn points and climb to the gold tier, which **encourages repeat purchases** and creates a **switching cost** — leaving would mean forfeiting their status and points — so it **improves retention**. As members return and move up tiers, they tend to **spend more and more often**, lifting each customer's **lifetime value**, and the program **collects data** Ayana can use to send **personalised offers**. Loyal members are also more likely to **recommend Loomly to others**, converting an existing base into a source of new customers. However, the rewards (double points, free returns) **cost the business money**, so the program only builds the base if members **value the rewards** and the underlying service is good. ∴ the tiered program could strengthen Loomly's customer base by driving repeat business, retention and word-of-mouth, provided the rewards are affordable and genuinely valued.

Q17. *(Discuss — advantages and disadvantages; no judgement required; avoid double-dipping.)* Establishing a **customer loyalty program** has real **advantages**. It **encourages repeat business and improves retention** by giving customers points or member benefits they can only enjoy by continuing to buy, creating a **switching cost** that holds them against competitors; loyal members tend to **spend more over time**, lifting **customer lifetime value**; the program **collects customer data** that can be used for **targeted, more effective marketing**; and satisfied members generate **word-of-mouth**. However, there are also **disadvantages**. The **rewards have a direct cost** — discounts and free items reduce margins — and the program takes **time and administration** to run and track. A poorly designed program can **fail to change behaviour** if the rewards are **too small or too hard to reach** to be valued, and customers may join only to **collect rewards they would have earned anyway**. Crucially, a loyalty program **cannot compensate for poor service or products** — customers will not stay for points if the experience is bad. Establishing a loyalty program therefore offers strong benefits in **retention, spending and data**, but brings **costs and design risks** that the business must manage for it to be worthwhile.

Q18. *(Evaluate — strengths and limitations plus an evidence-based judgement.)* For a new business seeking a loyal customer base, **quality customer service** has significant **strengths** as a strategy. It is **relatively low-cost** — it depends mainly on **staff attitude and training** rather than on giving away rewards — which suits a business with limited finance; it is **hard for competitors to copy** and so **differentiates** the business where products and prices are similar; and by **satisfying customers** it drives **repeat business, retention and powerful word-of-mouth**, all vital when a business is not yet known. It is also the **foundation** on which every other marketing effort rests. However, the strategy has **limitations**. Its quality **depends heavily on people**, so it can be **inconsistent** — one poor interaction or an undertrained employee can undo it — and it is **hard to control** as the business grows and hires more staff. It also **builds slowly**: a reputation for great service takes time to establish, so it may not deliver quick results, and unlike a loyalty program it offers **no tangible, accumulating incentive** to lock customers in. Weighing these, quality customer service is a **highly valuable and efficient strategy for a new business** precisely because it is cheap, distinctive and foundational — but its value is only realised if the business can **deliver it consistently** through careful hiring and training. ∴ quality customer service is well worth prioritising for a new business building a loyal base, provided the owner invests in the **training and standards** needed to make good service **reliable**, since inconsistent service would squander the strategy's advantages.

Q19. *Model response (10 marks).* Building a customer base requires a business not only to **attract** customers but to **keep them coming back**, and **customer relations strategies** — building positive, ongoing relationships with customers — are how it does this. The study design highlights two: **providing quality customer service** and **establishing customer loyalty programs**. Both create value, but they work in different ways.

Quality customer service means service that meets or exceeds expectations at every point of contact — through **knowledgeable and responsive staff, after-sales support and effective complaint handling**. It creates value by **satisfying customers so they return** (repeat business and retention), by **differentiating the business** where products and prices are similar (a competitive advantage that is **hard to copy**), and by generating **positive word-of-mouth** that attracts new customers at little cost. Because it depends mainly on **people and effort**, it is **relatively cheap** and is the **foundation** of the whole relationship. **Establishing a customer loyalty program** creates value through a **structured system of incentives — points, rewards and tiered memberships** — that gives customers a **tangible reason to keep buying**. It **improves retention** by creating a **switching cost** (leaving forfeits accumulated points and status), **lifts how much and how often customers spend** — raising **customer lifetime value** — and **collects data** for more effective, personalised marketing. Both strategies therefore converge on the same valuable outcomes: **repeat business, retention, word-of-mouth, competitive advantage and higher lifetime value** — the stable, loyal base a new business needs.

The view that **quality customer service is more valuable than a loyalty program** for a business building its customer base has **considerable force, but is not absolute**. In its favour, quality service is **cheaper** (no rewards to give away), **harder for rivals to imitate**, and **foundational**: a loyalty program built on **poor service will not retain customers**, whereas excellent service can win loyalty even without a formal scheme. For a new business with **limited finance**, service also delivers **differentiation and word-of-mouth** without eroding margins. **However**, the comparison is not clear-cut. A loyalty program offers something service alone cannot: a **tangible, accumulating incentive and switching cost** that actively **locks in** repeat purchase, together with **valuable customer data** — and it produces results **more quickly and measurably** than a slowly built service reputation. The two are also **complementary rather than competing**: the most effective businesses use **good service to earn loyalty and a program to reward and reinforce it**. ∴ quality customer service is **generally the more valuable strategy for a**

business building its customer base, because it is affordable, distinctive and the foundation on which retention and even a loyalty program depend — but the greatest value comes from using **both together**, service to satisfy customers and a program to reward their continued custom. *(Full marks require: accurate explanation of the features of both strategies; analysis of how each creates value using the correct value concepts — repeat business, retention, word-of-mouth, competitive advantage, lifetime value; and a sustained, two-sided evaluation of the "service is more valuable" view reaching a justified judgement.)*

Q20. *(Analyse — trace the causal effects on the relationship and the value, rather than describing the event.)* The remediation program is **customer relations** operating **after a service failure**. Two features of **quality customer service** are directly involved: **effective complaint handling**, because the problem each affected customer had is **actually resolved** rather than merely acknowledged, and **after-sales support**, because the business is dealing with customers **after the sale** has gone wrong. What distinguishes a **structured, funded scheme** — a set payment of **$225 or $450** to each eligible ticketholder, claimed through an administered process — from an apology alone is that the customer receives a **tangible remedy** without having to pursue the business individually, so the resolution reaches customers who would never have complained at all.

The effect on **value** follows as a chain. A customer whose complaint is resolved is **recovered rather than lost**, which supports **repeat business** and **customer retention**; the subtopic's point that a well-handled problem can leave a customer **more loyal than before** depends on exactly this — that the business is seen to put things right. Resolution also protects **word-of-mouth**: an unresolved complaint is likely to be repeated to others and online, so remediation limits the loss of **future** customers as well as the affected one. Because retaining a customer is generally **cheaper than acquiring** a new one, recovering the relationship also protects **customer lifetime value**.

The limits matter too. Remediation carries a **direct financial cost**, and it is a **response to** a failure rather than a substitute for getting the service right the first time — the relationship is only rebuilt if the customer's later experience of the business is good. ∴ a structured remediation works as complaint handling and after-sales support at scale, protecting retention and word-of-mouth by resolving the customer's problem, but its value depends on the **quality of service that follows it**.

Chapter 12 The marketing mix and marketing strategies — 12D Technological developments in marketing

Theory

Marketing is everything a business does to identify, attract and satisfy customers, and a central goal when establishing a business is to **build a customer base** — a group of customers who know the business, buy from it and return. Over the past two decades, **technological developments** have transformed how businesses do this, giving even a very small new business tools that were once available only to large firms. The study design highlights six developments: **social media, email marketing, search engine optimisation (SEO), artificial intelligence (AI), data analytics and the management of data**. Each is a way of **reaching customers, targeting the right people, promoting the business and building relationships** more cheaply and precisely than traditional advertising allowed. Judged well, they help a business grow its customer base and so meet objectives such as **increasing sales, market share and profit**; judged badly, they waste money, annoy customers or expose the business to privacy and reputation risks. The sections below define each development, explain how a business uses it to market itself, and weigh its main **benefits and limitations** — chiefly **reach, targeting, cost, personalisation versus privacy, and the skills required**.

Social media marketing. *Social media* are online platforms on which users create and share content and interact with one another (for example networks for photos, short videos, professional contacts and messaging). *Social media marketing* is the use of these platforms to **promote a business, engage with customers and build a following**. A business uses social media by **posting content** (product photos, short videos, behind-the-scenes stories), **running paid advertisements** that can be aimed at chosen audiences, **partnering with influencers**, and **responding to comments and messages** to build a community around the brand.

- **Benefits.** Social media offers **enormous reach** at **very low cost** — a business can begin posting for free and reach thousands, and popular content can be shared ("go viral") far beyond the business's own followers. Paid ads allow **precise targeting** by age, location, interests and behaviour, so the business pays to reach the people most likely to buy. Because communication is **two-way**, the business can **engage customers, answer questions and build loyalty**, and it can **build brand awareness quickly** for a new, little-known business.
- **Limitations.** Social media takes **time and skill** to do well — it needs a constant stream of fresh content, and platform **algorithms** increasingly limit how many people see unpaid posts, often forcing the business to **pay** to be seen. Complaints and negative comments are **public and visible**, which can damage reputation, and results (in actual sales) can be **hard to measure**.

Email marketing. *Email marketing* is the sending of **promotional or informational messages directly to customers' and prospective customers' email inboxes**, usually to a list of people who have chosen to subscribe. A business uses it to send **newsletters, special offers, new-product announcements and reminders**, and can **segment** its list so that different customers receive messages suited to them.

- **Benefits.** Email is **extremely cheap** and **direct** — it lands personally in the customer's inbox. It can be highly **targeted and personalised** (using the customer's name and past purchases), and, unlike social media, the business **owns the channel** and is not at the mercy of a platform's algorithm. It is easily **measured** (through open and click rates) and is very effective at driving **repeat purchases** from existing customers, strengthening the customer base.
- **Limitations.** Email marketing depends on first **building a permission-based list** of subscribers, which takes time. Poorly written or too-frequent emails are marked as **spam** or lead customers to **unsubscribe**, and the **Spam Act 2003 (Cth)** requires the business to have the customer's **consent** before sending commercial messages and to include a working way to **opt out**.

Search engine optimisation (SEO). *SEO* is the practice of **improving a website so that it appears higher in the unpaid ("organic") results of search engines** such as Google, so that more people find the business when they search. A business improves its SEO by using the **words customers search for** (keywords), publishing **useful content**, making the site **fast and mobile-friendly**, and earning **links from other reputable sites**.

- **Benefits.** SEO attracts customers **at the exact moment they are searching** for what the business sells, so the traffic is **high-intent** and likely to convert. Once a page ranks well, the traffic is effectively **free and ongoing**, making SEO very **cost-effective over time**, and a high ranking lends the business **credibility**.
- **Limitations.** SEO is **slow** — it can take months to climb the rankings — and requires **technical skill and continual effort**. Rankings are **competitive** and never guaranteed, and search engines frequently **change the rules** by which they rank sites, so results can move without warning.

Artificial intelligence (AI). *Artificial intelligence* refers to **computer systems that can perform tasks normally requiring human intelligence** — such as recognising patterns, making recommendations, predicting behaviour and interacting in natural language. In marketing, a business uses AI to run **chatbots** that answer customer queries at any hour, to **recommend products** based on what a customer has viewed or bought, to **target and optimise advertising**, to **predict which customers are likely to buy or leave**, and even to help **generate content**.

- **Benefits.** AI enables **personalisation at scale** — every customer can receive tailored recommendations and instant, **round-the-clock** service — which improves the customer experience and can lift sales. It processes huge amounts of information to **target marketing more accurately** and to **automate** repetitive tasks, improving efficiency.
- **Limitations.** AI tools can be **costly to set up and require skills** to use well; they depend on **large amounts of good-quality data**; and they can make **errors** or feel **impersonal**, frustrating customers. Using customer data to power AI also raises **privacy concerns** and the risk of over-reliance on the technology.

Data analytics. *Data analytics* is the process of **collecting and examining data** — about customers, sales, website visits and campaign performance — **to find patterns and insights that guide marketing decisions**. A business uses analytics to understand **who its customers are and what they buy**, to see **which campaigns and channels work**, to **segment** its market, and to **measure the return** on its marketing spending.

- **Benefits.** Analytics lets a business make **evidence-based decisions** rather than guesses, so it can **target and personalise** its marketing, **identify trends and opportunities**, and **cut wasted spending** by concentrating on what works — helping it build its customer base more efficiently.
- **Limitations.** It requires **tools, skills and time** to gather and interpret data correctly; the insights are only as good as the **quality of the data**; a business can mistake **correlation for cause**; and, like other developments, it depends on collecting customer data, which raises **privacy** obligations.

Management of data. *Management of data* refers to the practices a business uses to **collect, organise, store, protect and maintain** its customer and marketing data so that it stays **accurate, secure and usable**. Good data management — often through **customer relationship management (CRM)** software — keeps customer records in one **organised, up-to-date** place, **secures** them, and ensures the business **complies with privacy law**.

- **Benefits.** Well-managed data is what makes the other developments work: **accurate, organised data** produces better **targeting, personalisation, email campaigns, analytics and AI**. Protecting data properly also **builds customer trust** and keeps the business **compliant** and efficient.
- **Limitations.** Managing data well costs **money and skills**, and holding customers' **personal information** creates a serious **security and privacy responsibility** — a **data breach** can destroy customer trust and expose the business to **legal liability** (in Australia, businesses covered by the **Privacy Act 1988 (Cth)** must follow the **Australian Privacy Principles**).

Key ideas to keep straight.

- **Judge each development on the same five dimensions.** *Reach* (how many people it puts the business in front of), *targeting* (how precisely it reaches the right people), *cost* (how cheaply), *personalisation versus privacy* (tailoring to the individual, but only by collecting data the business must then protect), and *skills required* (the expertise and time to do it well). A strong answer weighs a development against these, rather than simply calling it "good".
- **The developments work together, not alone. Data analytics** and the **management of data** underpin the rest: they turn raw customer information into the **targeting and personalisation** that make social media, email and AI effective. Better data means better marketing; poorly managed data undermines all of it.

- **Personalisation and privacy are two sides of one coin.** The very data that lets a business personalise its marketing is **personal information** that customers expect to be kept private and secure. Pursuing personalisation while ignoring privacy risks a **breach of trust and of the law**, so the two must be balanced.
- **Technology lowers the barrier for small businesses but does not remove the need for skill.** These tools let a tiny new business market like a large one **cheaply**, which is why they are so valuable for **building a customer base** — but each still demands **time, content and expertise** to use well, so none is a guaranteed or effortless solution.

Contemporary example — Temple & Webster, August 2025

Temple & Webster Group Limited is an online retailer of furniture and homewares that sells Australia-wide from a Sydney base and is listed on the Australian Securities Exchange (ASX: TPW).

On **14 August 2025**, the business released its results for the year ended 30 June 2025, reporting revenue of **$600.7 million, up 20.7%** on the previous year and around **1.3 million active customers, up 16%**. Its investor presentation, lodged the same day, set out where **artificial intelligence** sat in that result. The business reported a **conversion rate of 3.0%, up 5%** on the prior year and credited its AI tools with the gain; it described trialling **personalised website experiences and targeted marketing** that used each customer's stated preferences to return more relevant search results, reporting early conversion uplifts. It also reported that **80% of pre- and post-sales customer support interactions were handled partly or wholly by AI and technology**, and that **customer care costs as a percentage of revenue had fallen by more than 60% since the 2022–23 financial year**.

This is **AI used for personalisation at scale** and for **round-the-clock service**, precisely as the theory above describes — and the business reported not only what it did but what moved, which is what **data analytics** makes possible. It also shows the developments **working together**: the personalisation depends entirely on the **collection and management of customer data**, so the same information that lifted conversion is **personal information** the business must then protect.

Source: Temple & Webster Group Limited, FY25 Investor Presentation and Full Year Results and Trading Update (ASX announcements), 14 August 2025 — https://announcements.asx.com.au/asxpdf/20250814/pdf/06mvk73tl1vyqv.pdf and https://announcements.asx.com.au/asxpdf/20250814/pdf/06mvk51gldcbnw.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Coral & Fern is a new online business selling natural skincare, launched by Aisha with very little start-up money. Explain how **social media marketing** could help Coral & Fern build a customer base.

Working	Comment
Social media marketing is the use of online platforms to promote a business, engage with customers and build a following.	Anchor the answer in what the development actually is.
Aisha can **post product photos, short skincare-routine videos and customer stories for free**, and run **low-cost ads targeted** at people interested in natural beauty.	Show *how* the business uses it, noting reach and targeting.
Because the platform lets customers **like, comment and share**, popular posts spread to new audiences and Aisha can **reply to questions**, building a community around the brand.	Link the two-way engagement to building a customer base.
∴ social media marketing helps Coral & Fern reach and engage a large, well-targeted audience **cheaply**, building brand awareness and a following that becomes its customer base.	State the causal conclusion — the benefit for building the customer base.

Example 2 — scaffolded

Ridgeline Outdoors is a small online retailer of hiking gear. Explain how **search engine optimisation (SEO)** could help it attract customers.

Working	Comment
SEO is the practice of improving a website so it ranks higher in the unpaid results of search engines.	Define the development first.
Ridgeline can use the **words hikers actually search for** (such as "lightweight hiking tent") and publish **useful buying guides**, so its site appears near the top when customers search.	Explain the mechanism — how the business improves its ranking.
Those customers are searching **at the moment they want to buy**, so the traffic is **high-intent**, and once the page ranks the visits are effectively **free and ongoing**.	Link ranking to high-intent, low-cost traffic.
∴ SEO attracts customers who are **actively looking** for hiking gear, giving Ridgeline a **cost-effective, ongoing** stream of well-matched visitors to convert into its customer base.	Conclude with the benefit — cost-effective, targeted reach.

Example 3 — unscaffolded

Distinguish between **social media marketing** and **email marketing** as ways of building a customer base.

Social media marketing uses **public online platforms** to reach a **broad audience** — including people who do **not yet know** the business — through posts, shared content and targeted ads; its strength is **wide reach and brand awareness**, but the business does **not own** the channel and depends on the platform's algorithm to be seen. **Email marketing**, by contrast, sends messages **directly and privately to a list of subscribers** who have **already chosen** to hear from the business; its strength is a **direct, personalised** channel the business **owns and controls**, but it can only reach people who have **already joined the list**. The key difference is in **reach and ownership**: social media is a **public, wide-reach** tool best for **attracting new** customers, whereas email is a **private, owned** channel best for **retaining and selling to existing** ones. ∴ the two are complementary — social media tends to **draw people in** to the customer base, while email **deepens the relationship** with those already in it.

Example 4 — unscaffolded

The owner of a new café states, "I will put all of my marketing effort into social media because it reaches the most people." Evaluate this statement.

The statement has some merit but is **too one-sided**. Concentrating on social media can be effective for a new café: it offers **enormous reach at very low cost**, lets the owner **target** nearby food-lovers with ads, and its **visual, shareable** nature suits a café's food and atmosphere, helping **build awareness and a following** quickly. **However**, relying on social media *alone* is risky. The business does **not own** the channel, so **algorithm changes** can cut how many people see its posts, often forcing it to **pay** to be seen; results are **hard to measure** in actual sales; and social media is better at **attracting** attention than at **converting and retaining** customers. Other developments would address these gaps — **email marketing** gives a **direct, owned channel** to turn followers into repeat customers, **SEO** captures people **actively searching** for a café, and **data analytics** shows which effort actually works. A wiser approach would use social media as **one part of a mix**, not the whole of it. ∴ while social media is a powerful and cost-effective tool for a new café's reach, committing **all** marketing effort to it is short-sighted; the owner should combine it with email, SEO and analytics so the business can both attract customers and keep them.

Practice questions

Scaffolded

Q1. Define the term *search engine optimisation (SEO)*.

Q2. List **four** technological developments in marketing named in the study design.

Q3. For each of the following, name the technological development described: (a) sending promotional messages directly to subscribers' inboxes; (b) computer systems performing tasks that normally require human intelligence, such as chatbots and product recommendations; (c) examining customer and sales data to find patterns that guide marketing decisions.

Q4. Explain what is meant by *data analytics* in marketing.

Q5. Loom & Leaf is a new online homewares business. (a) Identify **one** technological development it could use to build its customer base. (b) Explain how **email marketing** could help Loom & Leaf build its customer base.

Q6. Explain the difference between **data analytics** and the **management of data**.

Unscaffolded

Q7. Describe **one** way a business could use **artificial intelligence** in its marketing. *(2 marks)*

Q8. Explain how a business could use **social media** to build a customer base. *(3 marks)*

Q9. Distinguish between **email marketing** and **search engine optimisation (SEO)**. *(4 marks)*

Q10. Explain how **data analytics** could improve the **targeting** of a business's marketing. *(3 marks)*

Q11. Compare **social media marketing** and **email marketing** as ways of building a customer base. *(4 marks)*

Q12. Analyse how the use of **data analytics** could affect a business's ability to build a customer base and achieve its objectives. *(6 marks)*

Q13. Discuss the use of **artificial intelligence** in a business's marketing. *(6 marks)*

Q14. Justify the decision by a business to invest in **search engine optimisation (SEO)**. *(4 marks)*

Q15. Propose and justify **one** technological development a small new business could use to build its customer base on a limited budget. *(4 marks)*

Q16. *Case study.* **Nimbus Nutrition** is a new business selling ready-made healthy meals through its own website, established by Dan. To build a customer base on a small budget, Dan plans to **post recipe videos on social media**, **collect customers' email addresses at checkout** to send weekly offers, and **use data analytics** to see which meals and campaigns are most popular. Some customers have said they are uneasy about how much information the business collects. (a) Identify **one** technological development Dan is planning to use. *(1 mark)* (b) Explain how **collecting email addresses to send weekly offers** could help Nimbus Nutrition build its customer base. *(3 marks)* (c) Analyse how using **data analytics** could affect the way Nimbus Nutrition markets its meals. *(4 marks)*

Q17. Evaluate the use of **social media marketing** to build a customer base. *(6 marks)*

Q18. A business collects large amounts of customer data to **personalise** its marketing, but some customers are concerned about their **privacy**. Explain **one** benefit of personalised marketing, and recommend **one** way the business could address the privacy concern. *(4 marks)*

Q19. *Extended response.* Technological developments have changed how businesses attract and keep customers. Analyse how technological developments in marketing — such as social media, email marketing, SEO, artificial intelligence and data analytics — can help a business build a customer base, and evaluate the view that these developments create **more benefits than problems** for a business. *(10 marks)*

Q20. *Contemporary example.* On **14 August 2025**, **Temple & Webster** reported its results for the year ended 30 June 2025. It reported a **conversion rate of 3.0%, up 5%** on the prior year and credited its **artificial intelligence** tools — including **personalised website experiences and targeted marketing** built on customers' preferences — with the gain. It also reported that **80% of pre- and post-sales customer support interactions were handled partly or wholly by AI and technology**, and that **customer care costs as a percentage of revenue had fallen by more than 60% since the 2022–23 financial year**. Analyse how the use of **artificial intelligence** affected Temple & Webster's ability to build its customer base and achieve its objectives. *(6 marks)*

Answers

Q1. The practice of improving a website so that it ranks higher in the unpaid (organic) results of search engines, so more people find the business when they search. **Q2.** Any four: social media; email marketing; search engine optimisation (SEO); artificial intelligence (AI); data analytics; management of data. **Q3.** (a) email marketing; (b) artificial intelligence (AI); (c) data analytics. **Q4.** The process of collecting and examining data (about customers, sales, website visits and campaigns) to find patterns and insights that guide marketing decisions. See solutions. **Q5.** (a) e.g. social media, email marketing, SEO, AI, data analytics or management of data. (b) A direct, low-cost channel to send offers and news to subscribers, driving repeat visits and loyalty. See solutions. **Q6.** Data analytics = *examining* data to find insights that guide decisions; management of data = *collecting, organising, storing and protecting* the data so it stays accurate, secure and usable. See solutions. **Q7.** e.g. a chatbot answering customer queries 24/7, or AI recommending products based on browsing history. See solutions. **Q8.** Posting free content + targeted ads + two-way engagement → reach, awareness and a following that becomes the customer base. See solutions. **Q9.** Email = direct messages to an owned list of subscribers (retains customers); SEO = improving a website to rank in search results (attracts searchers). Distinguish both. See solutions. **Q10.** Analytics reveals who buys what and which channels work, so the business can aim its marketing at the right segments rather than everyone. See solutions. **Q11.** Similarity: both are low-cost digital ways to reach customers and build a base. Difference: social media = public, wide reach, attracts new customers; email = private, owned channel, retains existing ones. See solutions. **Q12.** Causal: analytics → better targeting/personalisation and less wasted spend → more of the right customers attracted and retained → supports objectives (sales, market share, profit); but depends on data quality and privacy. See solutions. **Q13.** Discuss — advantages (personalisation at scale, 24/7 service, better targeting, efficiency) and disadvantages (cost/skills, needs good data, errors/impersonal, privacy); no judgement required; don't double-dip. See solutions. **Q14.** Justify — argue why: attracts high-intent searchers, cheap ongoing traffic once ranked, builds credibility, cost-effective long-term. See solutions. **Q15.** Propose one development (e.g. social media, or email marketing) + argue why it suits a small, low-budget new business. See solutions. **Q16.** (a) e.g. social media, email marketing or data analytics. (b) A direct, owned, low-cost channel driving repeat purchases and loyalty. (c) Analytics shows which meals/campaigns work → sharper targeting and less wasted spend, but relies on data quality and raises privacy concerns. See solutions. **Q17.** Evaluate — benefits (huge low-cost reach, targeting, engagement/awareness) vs limitations (time/ skills, algorithm/pay-to-be-seen, public complaints, hard to measure) → evidence-based judgement. See solutions. **Q18.** Benefit: e.g. more relevant offers → higher response and stronger customer relationships. Recommend: e.g. gain clear consent, collect only needed data, secure it and be transparent. See solutions. **Q19.** Model response in solutions. **Q20.** Causal: AI personalises the site and targets marketing → a more relevant experience → more visitors converted (conversion rate up 5%); AI handling 80% of support interactions → fast, round-the-clock service and customer care costs down more than 60% as a % of revenue → a base built and served more cheaply → supports objectives (sales, market share, profit); depends on data quality and privacy. See solutions.

Fully-worked solutions

Q4. Data analytics in marketing is the process of **collecting and examining data to find patterns and insights that inform marketing decisions**. A business gathers data about **who its customers are, what they buy, how they behave on its website, and how its campaigns perform**, then analyses it to answer questions such as which products sell best, which customers are most valuable, and which marketing channels deliver results. Rather than relying on guesswork, the business uses these insights to **target and personalise its marketing, identify trends and opportunities, and measure the return on its spending**, so that it can build its customer base more efficiently. In short, data analytics turns the raw information a business collects into **evidence** that guides better marketing decisions.

Q5. (a) Any **one** of the six developments named in the study design — for example **social media** (also accepted: **email marketing**, **search engine optimisation**, **artificial intelligence**, **data analytics** or the **management of data**).
(b) **Email marketing** is the sending of promotional and informational messages directly to the inboxes of people who have chosen to subscribe, and it could help **Loom & Leaf** build its customer base by giving the business a **channel of its own**. Loom & Leaf can invite website visitors to **join its mailing list** — for example in return for a styling guide or a first-order discount — and then send **newsletters, new-range announcements and seasonal offers** that bring those subscribers back to the site. Because the list can be **segmented** so that subscribers hear about the homewares that suit them, the messages stay **relevant** rather than irritating, which encourages **repeat visits and purchases** and turns first-time shoppers into **regular customers**. Email is also **very cheap** and easily **measured** through open and click rates,

so a new business with little money can see what is working and refine it, and — unlike a social media post — it does not depend on a platform's **algorithm** to be seen. Over time this growing list of interested, returning subscribers becomes a **loyal customer base**.

Q6. Data analytics and the **management of data** are related but distinct. **Data analytics** is about **examining** data — collecting information about customers, sales and campaigns and analysing it to **find patterns and insights that guide marketing decisions**. The **management of data** is about **looking after** that data — the practices of **collecting, organising, storing, protecting and maintaining** it so that it stays **accurate, secure and usable**, often through CRM software and proper security. The difference is one of **purpose**: management of data ensures the business has **good, well-protected data in the first place**, whereas analytics **puts that data to work** to inform decisions. The two are connected — analytics is only as reliable as the data management behind it — but one is about **keeping data safe and organised**, and the other about **drawing insights from it**.

Q7. A business could use **artificial intelligence** in its marketing by running an **AI chatbot** on its website that **answers customer questions instantly at any time of day** — for example helping a customer choose a product, track an order or resolve a simple problem without waiting for a staff member. This provides **round-the-clock service**, frees staff for other work, and gives customers a fast, convenient experience that can encourage them to buy. *(Alternatively: AI recommending products to each customer based on what they have browsed or bought.)*

Q8. A business could use **social media** to build a customer base by **posting engaging content and interacting with its audience** on the platforms its target customers use. By regularly **posting product photos, short videos and stories for free**, and by running **paid advertisements targeted** at people of a particular age, location and interest, the business puts itself in front of a **large, well-matched audience** — including many who did not previously know it. Because social media is **two-way**, the business can **reply to comments and messages**, and followers can **like and share** its posts, spreading awareness to new people and building a **community and following** around the brand. Over time this growing, engaged following becomes the business's **customer base**, achieved at **low cost** — a major advantage for a new business.

Q9. *(Distinguish — both terms must be addressed.)* **Email marketing** is the sending of **messages directly to a list of subscribers' inboxes** — newsletters, offers and product news — to people who have **already chosen to hear from the business**; it is a **direct, personal channel the business owns and controls**, and it is strongest at **retaining existing customers and driving repeat sales**. **Search engine optimisation (SEO)**, by contrast, is the practice of **improving a website so it ranks higher in the unpaid results of search engines**, so that the business is **found by people searching** for what it sells; it is strongest at **attracting new customers at the moment they are looking**. The difference lies in **how the customer is reached and who they are**: email **pushes** messages out to people already on the list, whereas SEO **pulls in** new visitors who are actively searching. Both are low-cost digital tools, but one **deepens relationships with existing customers** while the other **draws in new ones**.

Q10. Data analytics improves the **targeting** of a business's marketing by revealing **who its customers are and how they behave**, so the business can direct its marketing at the **right people rather than everyone**. By analysing data on **past purchases, website behaviour and customer characteristics**, the business can **segment** its market — grouping customers by age, location, interests or buying habits — and identify which segments are most valuable. It can then **tailor its offers and advertisements** to each group and place them on the **channels those customers actually use**. Because the marketing is aimed at the people **most likely to respond**, the business **wastes less money on the wrong audience** and gets a **better return**, making its customer-base building far more efficient than untargeted, "spray-and-pray" advertising.

Q11. *(Compare — a similarity and a difference are both required.)* **A similarity** is that **social media marketing** and **email marketing** are both **low-cost digital tools** that let a business **reach customers directly and build its customer base** without the expense of traditional advertising, and both can be **targeted and measured**. **A difference** is in **reach and ownership**: **social media** is a **public** platform with **wide reach** that can attract **new** customers who do not yet know the business, but the business **does not own** the channel and depends on the platform's algorithm; **email marketing** reaches only people who have **already subscribed**, but gives the business a **private, owned channel** it controls, ideal for **retaining and selling to existing** customers. In short, both are cheap, direct ways to build a customer base, but social media is a **wide-reach, public tool best for attracting** customers, while email is an **owned, private tool best for keeping** them.

Q12. *(Analyse — show the causal effects, not a list of pros and cons.)* Using **data analytics** can affect a business's ability to build a customer base and meet its objectives through a **chain of effects**. By collecting and examining data on **who buys, what they buy and which campaigns perform**, the business gains **insight into its customers**, which lets it **target and personalise its marketing** at the people most likely to respond. Sharper targeting means its marketing spending **attracts more of the right customers and wastes less on the wrong ones**, so the customer base **grows more efficiently**. Analytics also lets the business **measure what works and adjust quickly**, and **spot trends and opportunities** (such as a rising product) before competitors do — further building the base. A larger, better-served customer base then **lifts sales and market share and improves profit**, directly supporting the business's objectives. However, these effects depend on the **quality of the data** and on managing it responsibly: if the data is poor, or customers feel their **privacy** is abused, the analytics can **mislead** or **damage trust**, working against the objectives. ∴ data analytics can strengthen a business's ability to build its customer base and meet its objectives by making its marketing **more targeted, efficient and responsive**, provided the underlying data is sound and handled responsibly.

Q13. *(Discuss — advantages and disadvantages; no judgement required; avoid double-dipping.)* Using **artificial intelligence** in marketing has real **advantages**. AI can deliver **personalisation at scale** — recommending products to each customer based on their behaviour — and provide **instant, round-the-clock service** through chatbots, improving the customer experience and lifting sales. It can **process large amounts of data to target advertising accurately** and **automate repetitive tasks**, making marketing more **efficient**. However, AI also has **disadvantages**. The tools can be **costly to set up and require skills** to use well, and they depend on **large amounts of good-quality data**, which a small business may lack. AI can also **make mistakes or feel impersonal**, frustrating customers who want a human, and using customer data to power it raises **privacy concerns** and the risk of **over-reliance** on the technology. Overall, AI offers a business genuine **personalisation, service and efficiency** benefits in its marketing, but brings **cost, skill, data-quality and privacy** challenges that it must be able to manage.

Q14. *(Justify — argue why, with reasoning.)* Investing in **search engine optimisation** can be justified because it targets customers **at the very moment they are looking to buy** and does so **cost-effectively over time**. When someone searches for a product the business sells, they have **high intent** — they are actively seeking it — so a business that ranks highly captures **exactly the customers most likely to purchase**, which is far more efficient than advertising to people who are not looking. Second, once a page ranks well, the resulting traffic is effectively **free and ongoing**, so unlike paid advertising that stops the moment the business stops paying, SEO keeps **attracting visitors without a per-click cost**, making it very **cost-effective in the long run** — a strong argument for a business with a limited budget. Third, appearing near the top of search results lends the business **credibility and trust** in customers' eyes. Although SEO takes time and skill to build, the **lasting stream of high-intent, low-cost traffic** it produces makes it a worthwhile investment. ∴ a business is justified in investing in SEO because it delivers **targeted, credible and cost-effective** access to customers who are already searching for what it offers.

Q15. *(Propose and justify — do more than name the development; argue why it suits the business.)* One technological development a small, low-budget new business could use to build its customer base is **social media marketing** — establishing a presence on the platforms its target customers use and **posting engaging content while running small, tightly targeted ads**. This development is **well suited to a small new business** because it can be **started for free**: the business can build a following through unpaid posts before spending anything, and even paid ads can be run on a **very small budget** and **precisely targeted** by age, location and interest, so little money is wasted. It also gives a new, unknown business a way to **build brand awareness quickly** and to **engage two-way** with customers, turning followers into a community and then a customer base. Because the cost is low and the reach and targeting are high, social media lets a business with little money **market like a much larger firm**. ∴ social media marketing is an appropriate choice for a small new business because it builds reach, awareness and a customer base **cheaply and with precise targeting**, matching the business's tight budget.

Q16. (a) Any **one** of: **social media**; **email marketing**; or **data analytics**. (b) Collecting customers' **email addresses at checkout to send weekly offers** could help Nimbus Nutrition build its customer base by giving Dan a **direct, low-cost channel straight into the inboxes of people who have already bought** — customers who have shown they are interested. By emailing **weekly offers and new-meal news**, Dan can **remind these customers to order again**, encouraging **repeat purchases** and turning one-off buyers into **regular, loyal customers**. Because the business **owns this list** and the messages can be **personalised** to what each customer has ordered, email is an effective way to **retain customers and grow their value over time**, steadily strengthening Nimbus Nutrition's customer base at very little cost. (c) *(Analyse — the causal effect on how the business markets.)* Using **data analytics** would affect how Nimbus

Nutrition markets its meals through a chain of effects. By examining data on **which meals sell best, which customers reorder and which campaigns get the most clicks**, Dan gains **insight into what his customers actually want**, which lets him **target his marketing more sharply** — promoting the most popular meals, timing offers when customers are most likely to order, and concentrating on the social-media content that works. This means his limited budget is **spent on what delivers results rather than wasted**, so the business **attracts and retains more of the right customers** and its base grows more efficiently. The insights also let Dan **spot trends** (such as a rising demand for vegan meals) and adjust his range and marketing quickly. However, because some customers are already **uneasy about how much information is collected**, Dan must handle the data **responsibly**, or the very analytics meant to help could **erode trust** and drive customers away. ∴ data analytics would make Nimbus Nutrition's marketing **more targeted, efficient and responsive**, helping it build its customer base — provided Dan respects customers' privacy concerns.

Q17. *(Evaluate — advantages and disadvantages plus an evidence-based judgement.)* Using **social media marketing** to build a customer base offers significant **advantages**. It gives a business **enormous reach at very low cost** — it can begin posting for free and, through shares, reach far beyond its own followers — and paid ads allow **precise targeting** by age, location and interest, so it reaches the people most likely to buy. Its **two-way** nature lets the business **engage customers and build a community and brand awareness** quickly, which is especially valuable for a new, little-known business. However, there are real **limitations**. Doing social media well takes **time, skill and a constant stream of fresh content**; platform **algorithms** increasingly limit how many people see unpaid posts, often forcing the business to **pay** to be seen; **complaints are public** and can damage reputation; and the actual **return in sales is hard to measure**. Weighing these, social media is a **powerful and cost-effective tool for reach and awareness, but not a complete or effortless solution**: it excels at **attracting** attention yet is weaker at **converting and retaining** customers, and its benefits depend on the business investing the effort to manage it well. ∴ on balance, social media marketing is a **highly worthwhile** way to build a customer base **when used as part of a wider marketing mix** and backed by genuine effort — it should be relied on for reach and engagement, but combined with tools such as email and analytics rather than treated as a guaranteed solution on its own.

Q18. *(Explain a benefit of personalisation, then recommend a way to address the privacy concern.)* One **benefit** of **personalised marketing** is that tailoring messages and offers to each customer — based on what they have bought or browsed — makes the marketing **far more relevant**, so customers are **more likely to respond and buy**, and they feel **understood and valued**, which strengthens their **relationship and loyalty** to the business. This lifts response rates and repeat sales compared with generic marketing sent to everyone. To **address the privacy concern**, the business should **collect only the data it genuinely needs, gain customers' clear consent, be transparent about how their information is used, and store it securely** (for example with proper cyber-security and compliance with the Privacy Act and Australian Privacy Principles). By being **open and giving customers control** over their data — including an easy way to opt out — the business can continue to personalise its marketing **while protecting the trust** on which its customer base depends, showing that personalisation and privacy can be balanced rather than traded off.

Q19. *Model response (10 marks).* Technological developments have given businesses powerful new ways to **attract and keep customers**, and used well they can build a customer base far more cheaply and precisely than traditional advertising allowed.

Several developments help a business **build its customer base**. **Social media** lets a business reach a **large, well-targeted audience at very low cost** and **engage** with it two-way, building awareness and a following — a way for even a new business to **attract** many customers. **Email marketing** provides a **direct, owned channel** into subscribers' inboxes, ideal for **retaining** customers and driving **repeat sales** through personalised offers. **Search engine optimisation** ensures the business is **found by people actively searching** for what it sells, capturing **high-intent** customers with **cost-effective, ongoing** traffic. **Artificial intelligence** enables **personalisation at scale** and **round-the-clock service** through recommendations and chatbots, improving the customer experience. Underpinning all of these, **data analytics** turns customer information into **insight**, letting the business **target and personalise** its marketing, measure what works and cut wasted spending. Together these developments let a business **attract** new customers (social media, SEO), **convert and retain** them (email, AI) and **continually sharpen** its efforts (analytics), so the customer base grows more efficiently and, with it, **sales, market share and profit**.

The view that these developments create **more benefits than problems** is **largely supported, but with important qualifications**. On the **benefit** side, the developments offer a business — especially a small one — **reach, precise targeting, personalisation and measurement** at a **fraction of the cost** of traditional marketing, letting it compete for customers as though it were much larger; this is a decisive advantage when building a customer base. On the **problem** side, however, each development demands **time, skill and often ongoing cost** to use well, so none is effortless or guaranteed; results on some channels (such as social media) are **hard to measure** and subject to **algorithm changes**; and, most importantly, the personalisation that makes them effective relies on collecting customers' **personal data**, creating **privacy obligations** and the risk that a **breach or misuse** could **destroy the very trust** the business is trying to build. Whether benefits outweigh problems therefore depends heavily on **how well the business manages the technology and the data behind it**: a skilled, responsible business gains far more than it risks, while a careless one can waste money and damage its reputation. ∴ technological developments in marketing do, on balance, create **more benefits than problems** for a business — they are transformative tools for building a customer base — but only when the business invests the **skill** to use them and the **care** to protect customers' privacy, so they are best understood as opportunities that must be **managed well** rather than as automatic gains. *(Full marks require: accurate explanation of how several developments help build a customer base; analysis of the causal links to attracting/retaining customers and meeting objectives; and a sustained, two-sided evaluation of the benefits-versus-problems view — including cost, skills and privacy — reaching a justified judgement.)*

Q20. *(Analyse — trace the causal effects, not a list of advantages.)* Temple & Webster's use of **artificial intelligence** affected its ability to build a customer base through a **chain of effects**. By using AI to **personalise the website experience and target its marketing** — drawing on each customer's preferences to return more relevant results and recommendations — the business delivered **personalisation at scale**, making the experience more relevant to each individual shopper. A more relevant experience makes a visitor **more likely to buy**, and the business reported its **conversion rate rose 5%** on the prior year and credited its AI tools: more of the people it was already reaching were **converted into actual customers**, so the customer base grew without a matching rise in the cost of attracting visitors. Second, because **AI and technology handled 80% of pre- and post-sales support interactions**, customers could be answered **quickly and at any hour**, improving the customer experience and encouraging **repeat purchases**, while **customer care costs fell by more than 60% as a percentage of revenue**, freeing money for other marketing. A larger customer base, served better and more cheaply, then supports objectives such as **increasing sales, market share and profit** — and the business reported revenue up **20.7% to $600.7 million** for the year. These effects nonetheless **depend on the quality of the data** behind the AI and on **managing that data responsibly**: poor data would produce irrelevant recommendations, and mishandling customers' **personal information** would risk the loss of trust that **privacy** breaches cause. ∴ artificial intelligence strengthened Temple & Webster's ability to build its customer base and meet its objectives by making its marketing **more personalised, better at converting and cheaper to service**, provided the data underpinning it remains accurate and is handled responsibly.