

# Promotion

8 marks

## AS Paper 2 2019

### 2 Planet Internet (PI)

PI is a public limited company. It is an internet service provider. The business provides fast internet connections to households within country X. Customers pay an average of \$10 per month for the service. More than 80% of the households in the country can access PI's services.

The business offers new customers 3 free months of internet service, if they sign a contract for a minimum of 12 months. Very few of PI's customers switch to a competitor's service after the minimum 12 month contract has finished. 5

The internet service market is very competitive. PI has an objective to become the largest internet service provider in country X. The Marketing Director, Alisha, believes that if PI is going to achieve its objective then the company needs new customers. She thinks that the key to gaining more new customers is to focus on promotion. 10

Alisha has prepared some secondary market research comparing PI with its main competitors in country X (See Table 2.1). Some of the directors are disappointed with the financial performance of PI compared to its competitors.

**Table 2.1: Research about the Internet service providers In country X, 2018** 15

	Planet Internet (PI)	Totally Broadband (TB)	W Solutions (WS)
Market share	31%	32%	15%
Value of market share	\$12.4bn	\$12.8bn	\$6bn
Gross profit margin	74%	70%	70%
Net profit margin	8%	12%	16%
Working capital	(\$45 000)	\$300 000	\$0
Current ratio	0.9:1	3:1	1:1

20

c) Analyse one above the line promotional method and one below the line promotional method which PI could use to gain new customers. [8]

## **Solution**

Above the line - leaflets. Can highlight offers e.g. 3 months free service which can stimulate interest and meet the requirements of new customers. Below the line - social media. People who are interested in new internet deals may follow the company. But research suggests few people switch providers so uptake may be low.

Questionnaire - asking parents about what varieties of chip their children like most. Which could give TT useful information about the new product so they can gain high sales. However questionnaires are expensive to ask enough people to make them representative so this could increase TT's costs.

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