**ANSWERS FOR MARKETING STRATEGY MAY 2012 EXAM**

**QUESTION 1**

To: Marketing Director

From: Marketing Executive

Date: XXXXXX

Subject: Strategic Alliance

Background

You have asked me to explain the key issues we should consider before embarking on a strategic alliance with TNM and the business intelligence required to inform our decision. This is the first step in compiling the business evaluation and business case to the board for the strategic alliance.

**Key strategic issues**

I assume that our strategic intention for considering this strategic partnership with TNM is to maintain competitive advantage in a market where there are few significant points of difference between the various providers. By entering into the alliance, we would be able to offer additional services in our product line, including ` real time banking `or` banking on the move` so creating more value for our customers which we expect will increase sales and profitability.

The main benefit of the alliance is that we stand to defray the cost and risks of developing this service ourselves.

**a) Key strategic issues we will need to consider before reaching a decision are:**

* **The market need and customer` preparedness to buy.**

Do customers really want to be able to bank on the move? How much will they value this service (customer acquisition, customer retention and customer profitability)? What is the market likely to be worth over the next five years? What market share can we realistically expect to again?

* **How this need might best be met?**

What form the alliance might take, for example: product / service alliance, logistics alliance, promotional alliance or pricing collaboration.

* **Strategic compatibility between our bank and TNM.**

Is TNM the best partner available? Are our objectives compatible, both in direction and over similar time horizons? Are the processes, systems and cultures compatible so we can work together? Are we both flexible enough to deal with the unforeseen?

* **Possible competitive response**.

What effect will this have on our major competitors? Which major competitors will respond first? When will they respond? What form will their response take? What effect on us will their response have?

* **Timescales, costs and risks**, including potential impact on our brand – privacy and data protection issues? Partners ` shares of costs and risks? Impact on our bank brand of alliance with TNM and in event of failure?

There is a variety of marketing, operations, compliance issues and due diligence issues that will best be investigated by a team drawn from relevant departments and working under your direction.

**b) Business intelligence requirements**

I will now deal with the business intelligence requirements needed to inform the investigation of these key strategic issue .these requirements can be grouped under four main headings:

* Market intelligence.
* Customer intelligence
* Competitive intelligence
* Compliance issues- legal.
* Regulatory information needed to evaluate whether the proposal is acceptable to the various authorities
* Due diligence, including an assessment of TNM`s strategic goals and direction – information needed from TNM about its goals, systems, resources etc so that we can assess compatibility. Presumably we will need to provide similar access to our bank.

I recommend we start by assessing this information against the key issues listed above and then undertake primary or further secondary research as required.

**Scheme/Script; 1a; Two (2) marks each of the five (5) points; total 10marks**

**1b; One (1) mark each of the five (5) marks; total 5marks**

**Total 15 marks**

**QUESTION 2**

To: Marketing Department

From; Marketing Executive

Date: xxxxxxx

Subject: Revenue forecasts.

**2a)** **The importance of having accurate forecasts**.

Annual forecast are statements of the estimated volume of sales of an

organisation’s products and/or services in the next financial year. They are used to

assist the organisation’s financial planning process since they are expressed in

monetary amounts and thereafter feed into the annual budget. It is therefore only by

estimating the following year’s sales/revenue that an organization can estimate how

much money will be available to spend in the future.

It must be remembered, however, that forecasts are only estimates and it is very difficult to produce accurate ones. In being optimistic and **overstating** the forecasts, several problems may arise.

1. High forecasts can lead to high targets for the sales staff. This can be demoralizing if the sales team does not achieve the target.
2. Revenue forecasts feed into production plans. Overoptimistic forecasts can lead to excess stocks (raw materials) in the warehouse. Not only does this tie up capital, it also increases the likelihood of damage and waste.
3. Extra staff may be taken on in marketing and production to cope with the expected level of revenue. If this does not materialize, there may need to be redundancies.
4. For the company quoted on stock exchange, overstating the forecast could affect the share price if there is loss of confidence.

Although there are obvious problems with overstating the expected level of revenue, understatement can lead to problems as well.

Actual demand will then be greater than supply. This can lead to:

1. Competitor’s benefiting from the bank’s lost revenue.
2. An increase in the amount of overtime required and therefore higher salary costs.
3. An increase in bonus payments to sales people who exceed their targets.

**2b) What to do to ensure forecasts are as accurate as possible.**

1. The bank should have good, up to date internal and marketing intelligence.
2. Revenue statistics to be available in suitable format and all factors affecting revenue to be understood by the people involved in forecasting.
3. Appropriate methods of forecasting to be used.
4. Any assumptions made should be clearly stated so that if anything changes markedly then adjustments can be made.
5. Review forecasts regularly to take into account any new information and adjust the figures appropriately.

**Scheme/Script: 2a) Two (2) marks for each of any five points; (2x5);total 10 marks.**

**2b) One (1) mark for each of the five points; (1x5): total 5 marks**

**Total 15 marks**

**QUESTION 3**

To: Marketing Director

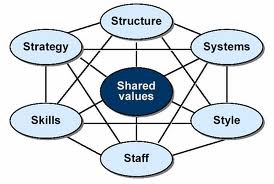
From: Marketing Manager

Date: XXXXXX

Subject: Assessing of the capability to expand internationally.

**Background**

The purpose of this report is to explain how the bank should undertake an assessment of its capability to expand internationally. An appropriate framework being provided by the McKinsey 7S model.



* **Strategy and strategic objectives.** The bank may wish to expand International markets for a range of reasons; it may be under pressure from competitors in the domestic market or its market may be maturing providing limited opportunities for further growth. It may wish to expand to utilize excess production capacity or to diversify geographically to increase its market penetration and brand awareness. It is important that, at the outset, it is clear what the strategic objectives are and what is motivating the bank to consider international expansion.
* **Shared values**- one of the main differences between operating domestically and operating internationally is exposure to other cultures. This calls for a degree of cultural expertise and compatibility with the cultures within which the bank is going to operate. Research has shown that exposure to too diverse a range of cultures can reduce profitability. It is therefore important to assess as objectively as possible just what cultural expertise the bank has or needs to develop.
* **Structure and systems**- it is important to assess whether the bank has the structure and systems to cope with the new task of researching, planning for and operating in International markets. New departments with new responsibilities may have to be established. The structures and systems already in place should be capable of modification and expansion to meet the new needs.
* **Skills** – the company will need additional skills to operate in international markets, for example research and analysis skills (how well does the company understand the target markets?) and marketing skills (how effectively will it be able to create and build brand awareness using a push or pull approach? The skills available should be audited against the anticipated skills requirements.
* **Staff** – staff issues cover development, and training, and management of people in the bank. Managing activities across markets calls for appropriate management and staff competences. It is important to assess the volume of staff and management required as well as the competences.
* **Management style** – style is about the leadership approach and management attitudes in managing international activities. While no firm decisions have yet been taken, it is important that the members of the senior management team are committed to international expansion and to its success.

**Scheme/Script; One(1) marks for identifying the relevant model**

**Two (2) marks for unpacking each ‘S’; total 14 marks**

**Total 15 marks**

**QUESTION 4**

To: The Director

From: The Marketing Manager

Date xx.xx.xxxx

Subject: Benefits of electronic database marketing

**Background.**

The objective of this report is to outline the contribution that a marketing database could make to the development and support of our business.

According to the institute of Direct Marketing a marketing database is a` collection of all available information of past, present and prospective customers, structured to achieve maximum usefulness. The real value of marketing database lies in its ability to be an invaluable aid in decision making and communications strategy development. The database can be used repeatedly, so reinforcing the point that is four times more expensive to gain a new customer than it is to retain an existing one.

Database marketing is a customer –orientated approach to marketing, and its special power lies in the techniques used to harness the capabilities of computer and telecommunications technology.

**4a)**

By building accurate and up to date profiles of existing the customers would enable the company to increase its market share by:

1. Increased customer retention by staying close to the target audience through better targeting and contact;
2. Better use of resources and cost reduction due to less duplication of information handling ;
3. Better decision marketing through quality management information handling.

**4b)**

The database may be used to meet a variety of objectives with numerous advantages over traditional marketing methods. The range of database applications include:

1. Focusing on prime prospects
2. Evaluating new prospects
3. Cross-selling related products
4. Launching new products to potential prospects
5. Identifying new distribution channels
6. Building customer loyalty
7. Converting occasional users to regular users
8. Generating enquiries and follow –up sales
9. Targeting niche markets

**4c)**

An effective database can provide the following management information.

1. Usage patterns e.g. reasons for account closures/ loyal repeat customers / seasonal or local purchase patterns/demographic purchase patterns and purchase patterns in response to promotional campaigns.
2. Evaluation of marketing activities e.g. response rates
3. Segmentation analysis to ensure accurate targeting
4. Account analysis e.g. value or product type
5. Updated market research information

A database can only be as effective as the information which is input. This means that accurate data is essential and this will require investment of time and effort to ensure that both data capture and data entry are accurate.

**Scheme/Script; 4a) One and half (1.5) marks for any three points with explanation;**

**total 5marks.**

**4b) One (1) mark each of the five points; total 5marks**

**4c) One (1) mark each of the five points; total 5marks**

**Total 15 marks**

**SECTION B**

**QUESTION 5**

Report

To: The Marketing Manager.

From: The Marketing Executive

Subject: The Value Chain

**Background.**

The value chain can be used to both analyse a company`s position and help to formulate the subsequent marketing strategy. It dissects and takes apart the business by looking at nine critically important activity areas. By analyzing these individual activity areas, it may then be possible to perform these activities more effectively and therefore add value to the business of the bank. This may then lead to the bank having a competitive advantage over other banks.



As can be seen in the value chain model there are five primary activities and four secondary support activities.

**Primary activities**

1. **Inbound logistics**: all this relates to how the bank provides its various services. In some cases the bank may undertake alliance with insurance companies and other banks to offer services. Will the branches for example have responsibility for all products or will some service only be provided by head office.
2. **Operations:** how does the bank convent its resource inputs? Some companies have one product development department which deals with getting new products to market. Other banks use regional offices to match local demand more effectively. Recent trends have seen banks move away from the branch network to central delivery which means that the major requirements in this activity area are the training of staff and the use of technology to provide an acceptable service level
3. **Outbound logistics**: This relates to how the products are distributed to customer in the financial sector, many banks have partially switched from a branch delivery service to phone and on-line services.
4. **Marketing and sales**: Many banks are now using national and local advertising to promote their services. Other promotional methods such a sponsorship and sales promotion e.g. free gifts are also being used.
5. **After – sales service:** This refers to how banks can maintain customer relationships. Many banks now offer their customers regular consultations about their finances. Also, on-line services can now be accessed twenty four hours a day for customers to find out information about their account or about new services that are on offer.

**Support activities**

1. **Firm infrastructure**: this refers to the management of the bank and its finances. It also refers to the physical assets such as buildings. Many banks now operate in a much leaner infrastructure. Technology has meant that accounts can be serviced more effectively by fewer people and less physical buildings.
2. **Human resource management**: the recruitment and training of staff. Many banks have embarked on extensive staff development programmes to offer a better service to customers in a people oriented business.
3. **Technology development**: improving the level of service through technology. Examples here are availability of ATMs, on- line services and access to information about customer accounts.
4. **Procurement:** how the resource inputs of the business are acquired. Many banks now have merged or have entered into partnerships with other financial institutions in order to offer a more complete package of finance services( eg mortgages, insurance and pensions )

**Scheme/Script; Two (2) marks for unpacking the VC model.**

**Two (2) marks for unpacking each of the VC nine activities; (2x9);**

**total 18marks**

**Total 20 marks**

**QUESTION 6**

**6a) ISSUES TO RESOLVE.**

1. If the company to date has not had an innovation culture introducing one will require a change of attitude of the management to risk taking and in their openness to new ways of managing. This may cause some resistance to change which will need to be overcome.
2. A change in attitude as to how top management view mistakes being made may also have to be made. At the Sony corporation top management expect their managers to make some mistakes on the basis that if they are not making mistakes they are being too risk averse.
3. Risk taking is an integral part of innovation; a risk adverse company is unlikely to have the open mindedness necessary for making innovative decisions. Thus the director and the company will have to reflect on their attitude to risk and make decisions as to where they stand on the continuum: risk- averse, and, not prepared to take any decisions which involve the company in risk, or, being highly entrepreneurial and being prepared to take calculated risks. However to sustain a competitive advantage over time the company will also have to decide how they will manage risk and put into place support structures in the marketing strategy process to ensure risk is managed so that any mistakes made will not cause the downfall of the company.
4. Often companies that have a low level of innovation have bureaucratic processes which are process driven and so discourage an innovative culture. Breakthrough innovations often break the conventional rules in an industry or a company and tend to go against the established patterns, standards and controls within an organization. This could be the difficult culture to change in bringing about a new attitude to innovation.
5. The company will have to re think how managers are rewarded and reassess the processes and controls they have to put into place to protect, in their view, the viability of the business. This is often the case in larger organizations where processes and control are put into place to control management decision making and ensure a standard procedure is followed by the whole organization. In such cases the marketing director may have a number of conflicts to resolve between managers who wish to take a more entrepreneurial approach and the management controllers who wish to protect their existing power base.

**6b) KEY ACTIONS**

1. In order to build a more innovative culture it is essential that the marketing director firstly wins the full support of the top management at a strategic level. It is the top management who can establish the core values in the organization of open mindedness and more flexible attitude to risk taking. This means they have to ensure there is no blame culture in the organization and establish a shared responsibility for taking innovative decisions.
2. It is also important that they establish a clear strategic direction for the company to set out quite clearly the context and direction in which new innovative thinking needs to take place.
3. Steps must also be taken to put into place reward incentives for innovative thinking to encourage such a culture.
4. There also has to be a recognition that innovators may have to break established rules of doing business. Thus companies need to be open to bringing about potential organizational change to commercialise innovative thinking.
5. However central to innovation is building capabilities in the company in a number of areas. Effective learning mechanisms will need to be put into place and a knowledge management capability built to enable the company to build a solid knowledge base on which innovative decisions can be made and new ideas sourced.
6. A strong technical expertise will need to be built and investment in R&D will also be necessary to develop new potential products and services.
7. Thus the company need to build a strong marketing capability to be able to successful commercialise any new innovations. This will require a strong capability being built in all aspects of the marketing strategy process; communications, relationships, distribution, marketing operations as well as ensuring controls are put in place to ensure a successful implementation.

Conclusion

The development of an innovative marketing culture is the basis of sustained success in today`s markets. However an innovative marketing culture is not a separate added facility to the marketing strategy process but a core value which has to be imbedded into the culture o the organization throughout its many levels. It involves all the employees of the organization and the company has to build a shared responsibility throughout the organization to such values.

**Scheme/Script; Two (2) marks each for any four (4) points; total 8marks.**

**Two (2) marks each for any six (6) points; total 12marks.**

**Total 20 marks**

**QUESTION 7**

Report

To: The Marketing Manager.

From: The Marketing Director

Subject: Branding

**Introduction.**

Murphy suggests a brand is a simple thing and in effect, it is a trademark that through careful management, skilful promotion and a wide use, appears in the minds of consumers to embrace a particular set of values and attributes both tangible and intangible.

**7a) Branding strategies**

A number of options are highlighted below.

1. **Company** – the company name is the most prominent feature of the brand e.g. Mercedes.

**Advantages;**

* + Economies of scale
  + Easy to launch new products under umbrella brand
  + Good for internal marketing

**Disadvantages.**

* Not ideal for segmentation
* Harder to obtain distinct identity
* Risk that failure in one area can damage the brand.

1. **Company brand** **– combined with a product brand name** e.g. *Kellogg`s corn flakes, rice Krispies,* this option both legitimizes (because of the company name) and individualises (the individual product name) products. This is sometimes known as source branding.

**Advantages and Disadvantages like those on (1) above.**

1. **Range brand** – companies often group types of product under different brands. For example, *Sharewoods* is a brand owned by RHM foods. They also offer *pickles, poppadums* , sauces etc under the same brand . Brands restricted to a small range of goods, is known as a line brand.

**Advantages.**

* Provides opportunity to enter new market segments with new brand range.
* Easy/Good for internal marketing.

**Disadvantages.**

* New product failure may damage brand range.
* Harder to obtain distinct identity

1. **Individual name** – each product has a unique name. Procter & gamble choose this option with each of their products having different brand names within the same product line , e.g. *Bold ,tide* ,two of the their washing powders

**Advantages.**

* + Facilitates innovation and creative marketing
  + Ideal for precise segmentation
  + Crowds out competition but offering more choice
  + Damage limitation to company`s. reputation.

**Disadvantages.**

* Can be costly
* Risky

1. **Umbrella brands** – these are used to support several products in very different markets. this shares building cost but may weaken brand identity e.g. Philip`s wide range of electrical and electronic products.

**Advantages;**

* + Economies of scale
  + Easy to launch new products under umbrella brand
  + Good for internal marketing

**Disadvantages.**

* Not ideal for segmentation
* Harder to obtain distinct identity
* Risk that failure I one area can damage the brand.

**7b) Brand equity**

A well- managed brand is an asset to any organization and is often referred to as brand equity. It is the marketing and financial value associated with a brand`s strength in the market.

**Four major elements that can assist in building brand equity.**

1. **Brand name awareness** – this leads to brand familiarity and ultimately comfort with the brand. A familiar brand is selected in preference to an unfamiliar brand because the familiar brand often is viewed as reliable and of acceptable quality.
2. **Brand loyalty**- this is a valued component of brand equity because it reduces a brand’s vulnerability to competitor’s actions. It enables organizations to keep existing customers and reduces costs of gaining new customers.
3. **Perceived brand quality** – a brand name itself actually stands for a certain level of quality in a customer`s mind and is used as a substitute for actual judgment of quality. Perceived high brand quality can help to support a premium price allowing a marketer to avoid severe market competition? This can also translate into brand extensions as the perceived quality will be able to transfer onto the new product or service.
4. **Brand associations**- marketing sometimes links a set of associations to a brand. These can include lifestyle or a particular personality type. These associations can attribute significantly to brand equity.

**Scheme/Script; 7a) Two (2) marks for explaining the branding strategy.**

**One (1) mark for one advantage and another one (1) mark for**

**a disadvantage. Each strategy should have at least an**

**advantage and a disadvantage which will merit the marks.**

**Total each strategy four (4) marks; total four (4) strategies**

**(4x4); 16marks.**

**7b) One (1) mark each of the four elements; (1x4); total 4 marks.**

**Total 20 marks**

**QUESTION 8**

The balanced scorecard was developed by Kaplan &Norton in the early 1990s at a time when there was increasing criticism of the use of financial statements as the single and dominant perspective on an organization`s performance. Two of the main criticisms of financial statements were:

* They are based on mainly historical information about performance and asset values. The past is not always a good guide to future performance.
* They provided only a narrow view of the organization, leaving investors, potential investors and managers in particular without key information about the prospects for the organization.

The balanced scorecard was developed to overcome these criticisms .It consists of four interrelated perspectives, each perspective consisting of goals (or objectives) and measures of performance. The perspectives are:

1. **Customer perspective** – how customers see the organization.
2. **Financial perspective** – how shareholders see the organization
3. **Internal (business) perspective** – what the organization must excel at.
4. **Innovation and learning perspective** – how the organization can continue to create value and improve.

**The advantages of the balanced scorecard can be summarized as follows:**

* It provides a multi- dimensional perspective of an organization and a more `balanced` view of the organization for stakeholders.
* As a framework, it incorporates information on those activities within the organization that will have a bearing on its **future** performance. This enables investors and managers to assess potential future performance.
* It treats the organization as a whole, placing emphasis on key strategic perspective and drivers – not just results – of financial performance. It also works across functions, integrating the activities of various teams who have to work together.
* It provides a hierarchical and integrated framework that can be used throughout an organization. It was intended for use in planning and measuring performance at all levels of the organization.
* It links objectives and measures. This means it can be used at all stages of the strategic management cycle, rather than just during analysis and evaluation then thrown away.
* It empowers and encourages teams responsible for delivery in getting involved during the analysis and evaluation, then planning, stages of the cycle. This is likely to provide a motivational benefit for those involved.

Like any tool, the balanced scorecard has limitations at the analysis and evaluation stage that need to be taken into account.

* As a technique, it is difficult to use for analysis and evaluation if it does not already exist in an organization. The necessary data on the three non-financial perspectives in particular may not exist. While objectives may exist, the performance measures may not have been defined and there are dangers in evaluating performance using measures defined during implementation; it may demotivate managers or teams involved. In extreme cases, its use in a case like this may lead to an incomplete or erroneous assessment of current performance and provide a poor basis for planning.
* It may be costly or time- consuming to use, particularly if the intention is to involve teams at various levels in the organization. It may require briefings and specific training to use effectively and considerable management time may be spent coaching teams on the technique rather than achieving an outcome.
* It is not appropriate in basic form to all organizations. For example, many not-for-profit organizations do not have shareholders or customers in the original sense of these teams, so the framework has to be adapted. This does not rule out its use in these organizations – indeed it is used widely within the public sector- but they do have to tailor it to their context.

Overall, the balanced scorecard is an effective tool for analysis and evaluation of performance in organizations where the goals and measures have already been defined at the start of the financial cycle for which performance is being assessed, its main drawback is its need for tailoring to the specific circumstances of the organization, which may be time- consuming and costly , it is , however, only one of the many tools available which should still be used during the strategic audit to form a composite picture of the organization`s current position, performance and potential.

**Scheme/Script; Four (4) marks for explaining the BSC background. #4marks**

**Four (4) marks for the four BSC perspectives. #4marks**

**Two (2) marks for each of the three advantages of BSC. #6marks**

**Two (2) marks for each of the three disadvantages. #** **6marks**

**Total 20 marks**.