**PRINCIPLES OF MARKETING – MAY 2012 SOLUTIONS**

**ANSWER 1**

* **Competitive Strategy—**is the taking of offensive and/or defensive actions to create a defendable position within an industry and thus earn superior return on investment
* **Cost Advantage—**is anything which gives one organization an edge over its rivals in the products it sells or the services it offers
* **Cost Leadership—**is a strategy that seeks the position of the lowest-cost producer in an industry as a whole

**Cost Leadership Strategies**

1. Obtain economies of scale within the organization
2. Adopt and use the latest production technologies to reduce operating costs
3. Exploit the learning curve effects i.e. specialize and enhance skills
4. Improve productivity
5. Minimize overhead costs in the business
6. Improve access to favorable sources of supplies of goods and services
7. Relocate organization to cheaper or low rental areas

**Scheme/ Script:**

Two [2] marks for definition of competitive strategy 01

Two [2] marks for definition of cost leadership 01

Two [2] marks for the definition of cost leadership 01

Two [2] marks each of the six costs leadership strategies listed 12

**[Total Marks 15]**

**ANSWER 2**

1. A Benchmark is an **External** target of performance against which a bank measures its activities/ performance
2. **Process Benchmark**—involves data exchanged between two banks with similar administration processes
3. **Competitor Benchmark**—analysis of performance and relative strength of direct competitor using information from customer and supplier interviews and published data
4. **Advantages of Benchmarking**
5. Managers make comparisons and implement corresponding changes
6. It leads to improvements in key business areas and helps set challenging but achievable targets
7. **Disadvantages of Benchmarking**
8. It is a reactive process imitating other competitors who may not be doing very well themselves
9. It focuses on internal issues and NOT customer focused

**Scheme/ Script:**

Three [1] marks for definition 01

Two [2] marks each for the two types of benchmarks 04

Five [5] marks if two advantages are listed and three [3] marks

if only one advantage is listed 05

Five [5] marks if two DIS advantages are listed and three [3] marks

if only one disadvantage is listed 05

**[Total Marks 15]**

**ANSWER 3**

**Definition: New Product Development**

* A process encompassing different types of activities ranging from development of new products and/ or technologies to repackaging existing products.

Four NPD factors responsible for international marketing successes:

1. **Organizational Structure**—Organizations with an international marketing division besides a domestic marketing division are more likely to achieve overseas results
2. **Marketing Research—**Organizations with a Marketing Research commitment are likely to succeed because international marketing research tends to be more complex than domestic market research
3. **Idea Generation—**Successful organizations undertake broad based sourcing and development of ideas through close contacts with customers, intermediaries, competitors, Research and Development and sales staff.
4. **Country Specific Products—**Successful organizations develop products that meet specific needs of the country they are entering

**Scheme/ Script:**

Three [3] marks for NPD definition 03

Three [3] marks for each of the four factors 12

**[Total Marks 15]**

**ANSWER 4**

Definition:

* A Learning Organization is an organization skilled at acquiring and transforming knowledge and modifying the banks behavior to reflect new knowledge and insight

1. **Learning Approach to Strategy**

* Organization uses the strategy process supported by experimentation and feedback loops

1. **Participative Policy Making**

* All members of the organization have equal chances and opportunities to participate in an organizational learning process

1. **Informating**

* Organization uses information as a resource for the whole organization to exploit and/ or develop new insights

1. **Formative Accounting**

* Accounting and budgeting systems are structured to support internal users to make better and informed decisions and/or act as small business within the business

1. **Internal Exchange**

* The concept of ‘Internal Customers’ is fully developed in a Learning Organization

1. **Reward Flexibility**

* Principles underlying the salary structure are fully explained to everyone and remuneration and rewards reviews are done openly

1. **Enabling Structure**

* Organizational structure is designed to allow flexibility and easy change to allow for growth, changed opportunities and opportunities for every employee

1. **Use Boundary/ Frontline Employees as Environment Scanners**

* Monitoring of the organization’s internal and external environments should not be limited to senior managers but all employees be given opportunity to contribute their observations and opinions

1. **Inter-Company Learning**

* Allow for open benchmarking

1. **Learning Climate**

* Managers must encourage formal and informal learning

1. **Self development Opportunities for All**

* Training and development must given a high priority in a Learning Organization

**Scheme/ Script:**

One [1] marks for report format 1

Two [2] marks for definition of Learning Organization 2

Two [2] marks each for six distinguishing factors of a Learning Organization 12

**[Total Marks 15]**

**ANSWER 5**

Definition of Strategic Planning:

This is the process of defining a company’s overall mission and objectives

1. Identify the major elements that an SMEs has been operating within for the past few years
2. Develop the SME’s business mission in terms of the nature and function of business of the SME
3. Define the internal and external forces likely to impact on the proposed mission of the SME
4. Identify and analyze the basic driving forces that will influence the likely direction of growth of the SME in the future
5. Develop a set of long term objectives that will identify what the SME will become in the future
6. Outline a general plan of action defining logical, financial and personnel factors that must be integrated into the SME’s long-term objectives

**Scheme/ Script:**

Two [2] for definition of strategic planning 02

Three [3] marks for each indicator listed 18

**[Total Marks 20]**

**ANSWER 6**

1. Logistics Management is physical distribution and materials management involving the inflow of raw materials and goods and the outflow of finished products
2. The importance of Logistical Management has arisen due to:

* The customer benefits that have become incorporated into the overall product through logistics tradeoffs made possible by coordinated logistics management
* A logistics approach to service delivery has resulted in cost savings that have been passed on to consumers
* Logistics Management is increasingly part of the industrial purchasing processes leading to closer links between buyers and sellers, greater use of JIT [just-in-time] and computerized purchasing systems

1. Three benefits of Logistical Management

* Goods are rarely out of stock
* Delivery of goods is more efficient
* Overall services quality is higher

**Scheme/ Script:**

Two [2] for the definition of Logistics Management 02

Three [3] for three supporting factors to Logistics Management

prominence 09

Three [3] for each benefit of Logistics Management 09

**[Total Marks 20]**

**ANSWER 7**

1. **Product Complexity**

* Complex products may take longer to adopt

1. **Benefits/ Solutions**

* A product with more advantages will be quickly adopted

1. **Compatibility**

* The degree that a product fits in with existing patterns of behavior or culture results in quick adoption by potential customers

1. **Trialibility**

* The ease with which potential customers can try a product will result in quick adoption

1. **Observability/ Visibility**

* Can the product be seen? Can it be associated with a role model or celebrity?

1. **Communicability/ Mouthability**

* Ease with which a new product can be communicated to potential customers

**Scheme/ Script:**

Four [4] marks for each of the factors 20

**[Total Marks 20]**

**ANSWER 8**

Brand building is a logical and gradual process involving step by step actions on the core product, the expected product, augmented product and the potential product.

**A step approach to designing a brand**

**Step 1 Have a quality product—**starting with functionality

**Step 2 Build the basic brand**—aimed at:

* Supporting product performance
* Differentiating the brand
* Ensuring consistence of positioning
* Ensure the basic brand delivers the core product in an attractive manner

**Step 3 Augmentations—**add extra services, guarantees etc

**Step 4 Reaching its potential—**strengthen brand to ensure customers do not easily accept substitutes

**Step 5 Maintain brand value—**develop a marketing mix that encourages customers to re buy

**Step 6 Build Brand loyalty—**ensure customers re-buy and become loyal in the process making revenue predictable

**Step 7 Know when to stop in developing a Brand—**certain augmentations may be costly yet pointless

**Scheme/ Script:**

Two [2] marks for diagram 02

Two [2] marks for defining brand building 02

Four [4] marks for full treatment of step 2 04

Two [2] marks for the other six steps 12

**[Total Marks 20]**