**PRINCIPLES OF MARKETING SOLUTIONS – MAY 2015**

**QUESTION 1:**

**Model Answer:**

Key factors that affect or determine the price level of a product developed by a firm include the following:

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| --- |
| 1. Costs of the producing the product –inputs such as R and D, overheads absorbed including building rent, labour ect, distribution and marketing costs. |
| 1. Demand of the product - products that are highly sort after can end up commanding a higher price due to among other factors such scarcity. |
| 1. Competition in the industry – is industries where there is minimal or no competition, product prices can be pegged at a higher price because clients may have no alternative but to buy the product. While high competition may lead to relatively lower prices as firms fight for customers. |
| Company objectives – these affect the price level. A company might was to dominate the market by selling at a lower price than competitors to gain market share while taking a knock on profitability. But once it grows and dominate the market it can raise the price to maximize profitability. |

Marks Allocation: Costs element will attract 3 marks and other points 4 marks each. 4\*3 +3=15

**QUESTION 2:**

**Model Answer:**

Promotion is all about communication.  Why because promotion is the way in a business makes its products known to the customers, both current and potential. The main aim of promotion is to ensure that customers are aware of the existence and positioning of products. Promotion is also used to persuade customers that the product is better than competing products and to remind customers about why they may want to buy.

These are some of the key factors that have to be considered when making decisions on promotional mix:

1. Product stage in life cycle
2. Nature of the product
3. Marketing objectives
4. Marketing budgets
5. Competition
6. Target market

|  |  |
| --- | --- |
| **Above the line promotional elements** | **Below the line promotional elements** |
| Radio advertising | Social media |
| TV advertising | Public relations |
| Outdoor advertising | Sales promotion |
| Print adverting | Direct marketing |
| Online advertising | Sponsorship |

Each factor gets 1 mark up to 5 points and the promotional mix elements used correctly gets 2 marks up to 5 points = 15 marks.

**QUESTION 3:**

Answer Model:

|  |  |  |  |
| --- | --- | --- | --- |
| **Steps** | **Selling Orientation** | **Marketing Orientation** | **Marks** |
| Starting Point | factory | Customer/market | 2 for each point making 4 marks and 1 mark for example = 5 marks |
| Focus | products | Customer needs | 2 for each point making 4 marks and 1 mark for example = 5 marks |
| Means | Selling and promotion | Coordinated marketing | 2 for each point making 4 marks and 1 mark for example = 5 marks |
| Ends | Profit through sales volume | Profits through customer satisfaction. | 2 for each point making 4 marks and 1 mark for example = 5 marks |

(15 marks)

**QUESTION 4:**

**Answer Model:**

PEST or PESTLE or STEEPLE can be used to highlight the following factors.

1. Political factors -
2. Economic factors -
3. Social factors -
4. Technological factors -
5. Legal factors – laws and relevant acts
6. Ethics factors -
7. Environment factors –

Each well explained point attracts 3 marks \* 5 = 15

**SECTION B (40 MARKS):**

**QUESTION 7:**

**Model Answer:**

The marketing plan should have the at least the following:

1. Executive Summary – presents a summary of main goals and recommendations and key points of the plan.
2. Current marketing situation – describes the target market, positioning, segments, competition, and distributing
3. Threats and opportunity analysis –assesses major threats and opportunities that the product faces and decisions firm can take in response.
4. Objectives –States marketing goals and objectives. The objectives must be Specific, Measurable, Achievable, relevant and time bound.
5. Marketing Strategy – marketing mix decisions –product, price, promotion, place.
6. Action Programs –implementation plans –with what, when, where and by whom
7. Budgets – project revenues and attendant costs
8. Controls/Monitoring and Evaluation - Outlines the controls that will be used to monitor progress and evaluate results.

Marks Allocation – Each stage has 2 marks and the remaining 4 points will be allocated based on plan coherence and presentation. 16+4 = 20 marks.

**QUESTION 6:**

**Model Answer:**

The best approach will highlight the pros and cons of each and the take a decision with justification. Although being a new company, it may not be a good idea to outsource in its first few years of operation.

|  |  |  |
| --- | --- | --- |
| **In house team** | **Prons** | **Cons** |
|  | Costs can be absorbed into the existing departments hence less costly | Risk of overstretching team and resources |
|  | Opportunity to broaden skills | Risk poor quality due to low skills set |
|  | May promote team spirit | Could be time consuming and costly |
|  | May be a motivating factor | Risk of bias |
| **External Agency** | Specialization hence quality output | May have limited industry knowledge |
|  | Highly skilled in data interpretation | Can be expensive for small firms |
|  | Objective minimal risk for bias |  |
|  | Better cost control since budgets predetermined. |  |

Marks Allocation: 2 points for each point up to 8 points and 4 marks reserved for the recommendation = 20 marks.

**QUESTION 7:**

Model Answers:

|  |  |
| --- | --- |
| The complexity of the product | Simpler products tend to be easily adopted than complex once. Complex tends to be more expensive. |
| Relative advantages it offers | Products that offer a great solution to the target market tend to be adopted faster than others. The self interest concept. |
| Compatibility | It a product is more compatible with the mental or physical conditions of the target market get faster adoption. Culture, storage e.t.c |
| Trialability | Cost, convenience, time, availability and others |
| Observability | solution/visibility and tangibility |
| Communicability | Referrals, testimonials and others |

Mark Allocation:

2 marks for each facter nad the 2 for explanation and for each example per point making 5 marks \*5 =20 marks.

**QUESTION 8:**

**Model Answer:**

This question examines candidates’ knowledge of New Product Development Process and their ability to apply the knowledge to a situation. Key stages are eight and detailed as follows:

|  |  |
| --- | --- |
| Idea Generation | Ideas make company succeed or fail. Apple is one of the best companies because of innovative ideas. Sources of ideas can be internal or external using research. |
| Idea Screening | New product ideas are evaluated to determine which ideas warrant further study. |
| Concept Development and Testing | Concept is further developed and tested against set criteria. A new idea that warrant further study and survives is expanded into a concrete business proposal. |
| Marketing Strategy and Development | A marketing strategy is developed and this provides a feel on the viability on the pro |
| Business Analysis | Following the marketing strategy, a business analysis is done. This looks at whether the company can make money with the product or not. If its viable, the product is taken to the next step. |
| Product Development | Sample products are made and lessons learnt on production feasibility and challenges. Technical tests are carried out and changes made. |
| Test Marketing | Market tests are done on a small geographical area to test market reaction and the adjustments are made accordingly to ensure a successful launch. |
| Commercialization | Full scale product and marketing programs are planned and the product is launched. |

**Marks Allocation:**

The mention of each stage will attract 1 mark making a total of 8 marks and then each explanation to be given another 2 marks. At least 7 stages are expected.

**END OF EXAMINATION PAPER**