**PRINCIPLES OF MARKETING QUESTIONS AND ANSWERS**

**QUESTION 1**

1. The **four** main methods for setting the promotion budget. **(8 Marks)**
2. Affordable method-setting the promotional budget at the level they think the company can afford. They deduct operating costs and capital outlay from total revenues and commit a portion of the remaining funds to marketing communications or advertising.
3. Percentage of sales method-Setting the promotional budget at a certain percentage of current or forecast sales or budget a percentage of the unit sales price.
4. Competitive parity method-setting the promotional budget to match competitors’ outlays. The budget is set based on the industry average.
5. Objective and task method-setting the promotional budget based on what the company wants to accomplish with promotion. This entails defining the promotion objectives, determining the tasks needed to achieve the objectives and estimating the costs performing these tasks.
6. Recommendation and justification of **one** appropriate method for setting the promotion budget for your company. **(7 Marks)**
7. Affordable method

* It is realistic i.e. a company can’t spend what it does not have.

1. Percentage of sales method

* It is simple to use
* It helps management to think about the relationship between promotion spending and selling price and profit per unit.

1. Competitive parity method

* Competitors’ budget represents the collective wisdom of the industry.
* Spending on what competitors are spending helps to prevent promotional wars.

1. Objective and task method

* It is the most logical budget setting method.
* It forces management to spell out its assumptions about relationship between money spent and promotion results.

**QUESTION 2**

Distribution is central to the effective marketing of products and services. Every company needs to come up with an effective distribution strategy in order to develop competitive advantage.

1. Explain with examples the **three** key distribution strategies a company can use to offer its services and products to the market. **(9 Marks)**
2. Intensive distribution-involves concentrating on a segment of the total market such as choosing limited geographical distribution rather than national distribution.
3. Selective distribution-involves the producer selecting a group of retail outlets amongst all retail outlets on grounds of brand image or related to retailers’ capacity to provide after sales service.
4. Exclusive distribution-This is an extension of selective distribution. Involves selecting particular outlets and granting them exclusive handling rights within a w prescribed geographical area. In some cases, this may involves making special financial arrangements for lands, building or equipment e.g. petrol stations.
5. Discuss any **two** factors for the growth of direct marketing. **(6 Marks)**
6. Potential for reduced costs and profit improvements
7. Speed of delivery
8. Increased control on the part of the marketer
9. Potential for better customer feedback
10. The advances in information technology and particularly the database
11. Developments and advances in direct response media.

**QUESTION 3**

Marketing is most effective if every marketing channel has communication that is aligned to the same core brand positioning.

1. The process of integrated marketing communications. **(9 Marks)**
2. Analyze internal and external trends that can affect your company’s ability to business. Assess the strengths and weaknesses of each communications functions and develop a combination of promotional tactics based on these strengths and weaknesses.
3. Audit the pockets of communication budgets and tasks and consolidate these into a single budgeting process.
4. Identify all contact points for the company and its brands to ensure that communications efforts are occurring when, where and how your customers want them.
5. Team up in communications planning by engaging all the communications functions in joint planning.
6. Create themes, tones, and quality across all communication media. Ensure that each element carries your unique primary messages and selling points.
7. Create performance measures that are shared by all communications elements. Develop systems to evaluate the combined impact of all communications activities.
8. Appoint a director responsible for the company’s persuasive communications efforts. This will encourage efficiency by centralizing planning and creating shared performance measures.
9. **Three** advantages of integrated marketing communications. **(6 Marks)**
10. It reduces transaction costs, interdependent conflict and duplication of effort.
11. It creates synergy with the communications mix providing a higher return on campaign investment.
12. It provides clarity and consistency to brand messages to create brand loyal customers.
13. It decreases the rate of customer defection, increases market position and sales growth.

**QUESTION 4**

There is stiff competition in the banking sector in Malawi. ABC Bank (for which you are its Marketing Manager, has just lost 20% of its market share as at December 2015. Your CEO is concerned with this development and has asked you to send him a report on the following:

1. Outline the main differences between sales and marketing orientations. **(10 Marks)**

|  |  |  |
| --- | --- | --- |
| Factor | Sales orientation | Marketing orientation |
|  | Rely heavily on mass communication | Relies on direct and personalized communication. |
|  | Short term sales | Long term profits |
|  | Sales most important | Customer satisfaction most important |
|  | Narrow product line | Broad product line |
|  | Focus on product features | Focus on customer needs |

1. Benefits of marketing orientation **(5 Marks)**
2. More focused production-By making customer needs a primary focus, companies will more likely develop products that match up with the needs of the customers.
3. Concentrated strategy-By adopting the marketing concept, companies have all functions aligned with the strategic vision of meeting the needs of customers. This helps define the role of employees more clearly.
4. Long-term profitability-Consistently understanding and delivering what the marketplace wants leads to long-term profitability.
5. Effective marketing-When companies have a good understanding of what the market needs or wants, they have better ability to market effectively to them.

**SECTION B**

Answer any **two** question from this section

**QUESTION 5**

Market segmentation used as a strategy by firms can enhance their profitability and increase competitiveness.

1. Any **five** market segmentation strategies that banks in Malawi can use to enhance their competitive advantage. **(10 Marks)**
2. Demographic segmentation e.g. gender, age, marital status, income, occupation, education etc.
3. Geo-demographic segmentation-based on the notion that people who live close to one another within the same physical geography, share broad characteristics in terms of finance, tastes, problems, lifestyles and purchase habits.
4. Geographic segmentation-based on location.
5. Psychographic segmentation-based values, opinions, personality characteristics, interests etc.
6. Behavioral segmentation-based on their knowledge, attitudes, uses or responses to a product.
7. Benefit segmentation-based on different benefits that buyers seek from the product.
8. Sociological segmentation-based on social status, social class etc.
9. Industrial segmentation-based on location, customer size, industry location and product use.
10. **Five** advantages of segmentation to the banks. **(10 Marks)**
11. The company is abler to spot new marketing opportunities because of better understanding of the consumer needs in each segment.
12. Specialists are used for each segment
13. The total marketing budget is allocated to take into account the needs of each segment and likely returns.
14. The company can make finer adjustments to the product and service offerings as well as the marketing appeals in each segment.
15. The company can try to dominate particular segments thus gaining competitive advantage.
16. The product range can more closely reflect customer need differences
17. Improved segmentation allows for more highly targeted marketing activity and allows marketing teams to develop in-depth knowledge of needs of particular groups of customers.

**QUESTION 6**

Your CEO has noted that the life cycle of most products and services is becoming shorter. He is therefore thinking of diversifying the product portfolio of the bank through brand extension. As a Product Manager for your bank he has asked you to prepare a report to be presented to management on the following:

To : The CEO

From : The Product Manager

Subject : Product portfolio management and branding

Date : 31 January 2016

Introdustion

1. Briefly explain any **four** factors that can affect the life of product. **(8 Marks)**
2. Nature of the product being considered
3. Management decisions
4. Products market
5. The macro and micro environmental factors
6. Discuss the advantages and disadvantages of brand extension. **(12 Marks)**
7. Advantages

* It is cheap i.e. less costly.
* Customer perceptions of the brand have been built up, so this lower risk. for the customers encourages trial.
* It is less risky than a new brand.

1. Disadvantages

* The brand personality may not carry over successfully to a new segment.
* The brand needs to be strong already.
* The brand still needs a differential advantage over competitors.
* Excessive extensions can dilute the values of a successful brand.

Conclusion

**QUESTION 7**

Since pricing has a direct impact on a company’s revenue and thus profit, setting the right price is essential to a company’s success.

1. Explain **five** factors that affect pricing**. (10 Marks)**
2. Intermediaries-Intermediaries’ objectives on pricing have an effect on the company’s pricing. For example, some intermediaries have power to dictate price terms to the supplier. Other industries like the petroleum industry in Malawi have traditional margins for intermediaries set by regulatory bodies.
3. Competitors-Competitors actions on pricing may affect the pricing to the company. For example, price change by one supplier may initiate a price war thereby leading to losses to the suppliers as a whole.
4. Newness of the product/service-The newer the product
5. Ethics
6. Suppliers
7. Government
8. Quality of the product/service
9. Product range
10. The economy
11. Recommend and justify an appropriate pricing strategy for a bank that is introducing a new digital product that is deemed to be a breakthrough in the market. **(10 Marks)**

**Market skimming**

An approach under which a [producer](http://www.businessdictionary.com/definition/producer.html) [sets](http://www.businessdictionary.com/definition/set.html) a [high](http://www.businessdictionary.com/definition/high.html) [price](http://www.businessdictionary.com/definition/labor-rate-price-variance.html) for a new high-end product or a uniquely differentiated [technical](http://www.businessdictionary.com/definition/technical.html) product (such as the new product the bank is introducing). Its [objective](http://www.businessdictionary.com/definition/objective.html) is to [obtain](http://www.businessdictionary.com/definition/obtain.html) maximum [revenue](http://www.businessdictionary.com/definition/revenue.html) from the [market](http://www.businessdictionary.com/definition/market.html) before [substitutes](http://www.businessdictionary.com/definition/substitutes.html) [products](http://www.businessdictionary.com/definition/product.html) appear. After that is [accomplished](http://www.businessdictionary.com/definition/accomplished.html), the producer can lower the price drastically to [capture](http://www.businessdictionary.com/definition/capture.html) the low-end [buyers](http://www.businessdictionary.com/definition/buyer.html) and to thwart the copycat [competitors](http://www.businessdictionary.com/definition/competitor.html).

**Justification**

1. It allows for quick recovery on investment in the new product
2. It may confer a prestigious/quality image to customers
3. Higher prices are likely to appeal to innovator groups
4. It allows for flexibility in reducing prices should the initial price result in too few sales
5. It allows for reduced prices for later stages of the product lifecycle to appeal to the mass market.

**QUESTION 8**

A new bank intends to start its operations in Malawi. As its marketing consultant, advise the bank on the key market environmental factors that they need to consider when developing their market entry strategy. **(20 marks)**

1. Political factors- stable government, peaceful country, independent judiciary etc
2. Economic factors-inflation rates, interest rates, GDP growth rate etc
3. Social factors-key demographics, population spread etc
4. Technological factors-Internet infrastructure, digital banking, mobile phones etc.