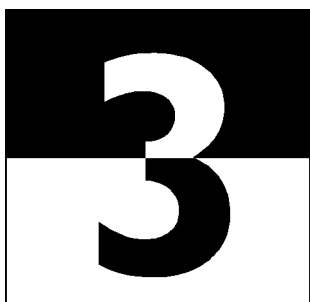


Certificate in
Marketing



Level 3

Series 2 2004

(Code 3025)

Model Answers

Certificate in Marketing Level 3

Series 2 2004

How to use this booklet

Model Answers have been developed by LCCIEB to offer additional information and guidance to Centres, teachers and candidates as they prepare for LCCIEB examinations. The contents of this booklet are divided into 3 elements:

- (1) Questions – reproduced from the printed examination paper
- (2) Model Answers – summary of the main points that the Chief Examiner expected to see in the answers to each question in the examination paper, plus a fully worked example or sample answer (where applicable)
- (3) Helpful Hints – where appropriate, additional guidance relating to individual questions or to examination technique

Teachers and candidates should find this booklet an invaluable teaching tool and an aid to success.

The London Chamber of Commerce and Industry Examinations Board provides Model Answers to help candidates gain a general understanding of the standard required. The Board accepts that candidates may offer other answers that could be equally valid.

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Certificate in Marketing Level 3

Series 2 2004

QUESTION 1 (Compulsory)

Athena is a large retailer of personal computers with 200 stores in your country. You have been appointed the Marketing Manager. Using any **5** of the 7 Ps of the extended marketing mix outline:

(a) your marketing strategy for the next 2 to 5 years (10 marks)

(b) your marketing tactics for the next 12 months. (10 marks)

(Your answers must be relevant for and relate to the subject of the question) **(Total 20 marks)**

Model Answer to Question 1

Element	(a) Strategy	(b) Tactics
PRODUCT	<p>By Jan 2007 to have increased the range of computer peripherals and software available for resale to enable each store to become a one-stop shopping facility for all our customers computing needs.</p> <p>By June 2006 to have introduced a comprehensive repair service in all shops.</p> <p>By Jan 2006 to have introduced our own brand of computer, assembling such from OEM parts and components.</p>	<p>During 2004/2005 to continuously add new and innovative peripherals as they become available.</p> <p>By Jan 2001 to stock computing books and computer upgrade components.</p> <p>To begin introducing on-site service facilities by Sept 2004 in major stores.</p>
PRICE	<p>To be known nationally as the 'best value for money computer outlet' by Dec 2007.</p> <p>To introduce our own hire purchase and credit purchase facilities by June 2006.</p> <p>To become the price leader in this industry by Jan 2008.</p>	<p>To introduce price discounts for bundled packages by Oct 2004.</p> <p>To introduce a customer loyalty or membership discount card by June 2005.</p> <p>To continuously re-evaluate our suppliers and buying prices to obtain price discounts that can be passed onto our customers.</p>
PLACE	<p>To have opened 10 'Super' stores by 2008.</p> <p>To have upgraded and refurbished the smaller stores by Dec 2009.</p> <p>To introduce an eCommerce operation by June 2006.</p>	<p>To engage consultants to seek suitable sites for stores by Sept 2004.</p> <p>To begin upgrading and refurbishing of Smaller stores by Jan 2005.</p> <p>Engage website designer by Dec 2005.</p>

Model Answer to Question 1 continued

Element	(a) Strategy	(b) Tactics
PROMOTION	<p>To have created 90% national awareness of our stores within the target market by Dec 2007.</p> <p>To be known as the leading retailer of computer products, accessories and peripherals in the country by Dec 2008.</p> <p>To have established our own computer brand in the mind of the target market by Dec 2008.</p>	<p>To launch a major television advertising campaign nationally by Oct 2004.</p> <p>To attend major computer shows and exhibitions during 2004/2005.</p> <p>Continuous use of PR activities in line store re-openings and new store openings.</p>
PROCESS	<p>To provide rapid payment facilities for every type of credit and debit card by Jan 2006.</p> <p>To be offering a 24 hour repair service for all customers by Dec 2006.</p> <p>To introduce a '24 hour' free sales and service help line by Jan 2006.</p>	<p>Negotiate and open dealer accounts with every credit and debit card company during 2004/2005.</p> <p>Introduce shift working for repair staff as each store launches its repair department.</p> <p>Locate or build suitable premises for the telephone sales and service centre during 2004/2005.</p>
PEOPLE	<p>For the company to be recognised nationally for its knowledgeable staff and quality of customer service by June 2008.</p> <p>To have all staff on a continuous staff appraisal and reward scheme by Jan 2006.</p> <p>To introduce a rapid management training scheme for suitable graduates by June 2006.</p>	<p>To introduce staff training courses for customer care and service quality by March 2005.</p> <p>To devise staff appraisal and reward schemes during 2004/2005.</p> <p>To begin recruiting suitable graduate trainees during 2005.</p>
PHYSICAL EVIDENCE	<p>To have created a relaxing and welcoming environment in all our stores by May 2006.</p> <p>To have introduced a corporate 'house colour' staff uniform and corporate logo by Dec 2006.</p>	<p>Introduce customer 'trial usage areas' for computer systems during 2004/2005.</p> <p>Engage consultants to devise and design new corporate logo and staff by March 2005.</p> <p>Improve the display fixtures and fittings to allow customers easy access to all stocks during 2004.</p>

QUESTION 2

Acme manufactures and sells mobile telephones. Write a **report** to your Managing Director briefly explaining:

(a) **4** segmentation methods to be used in identifying the target market(s) (8 marks)

(b) **5** methods available to **evaluate** the chosen segment(s). (10 marks)

(2 marks for report format)

(Total 20 marks)

Model Answer to Question 2

REPORT

To: Managing Director
From: A Candidate
Date: 22 April 2004
Subject: Segmentation

(a)

- 1 Demographics
 - 1.1 This refers to statistical data and classifications of the population
 - 1.1.1 Age groups
 - 1.1.2 Gender
 - 1.1.3 Education
 - 1.1.4 Socio-economic status
 - 1.1.5 Education
 - 1.1.6 Religion
 - 1.1.7 Family life cycle
- 2 Geographic
 - 1.2 Refers to possible physical environment, or the spread of population
 - 1.2.1 Hot, cold or warm climates
 - 1.2.2 Wet or dry climates
 - 1.2.3 Rural, suburban or city
- 3 Geo-demographics
 - 3.1 A system of classifying the types of areas and properties that people live in combined with their anticipated occupations and status
 - 3.1.1 ACORN
 - 3.1.2 PIN
 - 3.1.3 MOSAIC
- 4 Psychographics
 - 4.1 Refers to the life styles of people. Assumes that people with similar lifestyles are likely to buy similar goods and services
 - 4.1.1 VALS
 - 4.1.2 AIO

QUESTION 2 CONTINUED

5 Behavioural

- 5.1 Refers to particular characteristics people may have towards a market or product
 - 5.1.1 Benefits sought
 - 5.1.2 Frequency of purchase
 - 5.1.3 Loyalty status
 - 5.1.4 Attitude towards product

(b)

6 Evaluation of potential segments

- 6.1 Distinctive
 - 6.1.1 Can the segment be positively identified – is it sufficiently different to similar segments
- 6.2 Accessible
 - 6.2.1 Is there an established method of reaching this segment through existing promotion and distribution methods
- 6.3 Measurable
 - 6.3.1 Can the number of potential customers be measured
 - 6.3.2 Is it possible to calculate the possible potential sales
- 6.4 Sustainable
 - 6.4.1 is the segment likely to last for the foreseeable future or is it a transient or fad segment
- 6.5 Serviceable
 - 6.5.1 Can it be serviced by the organisation using existing methods and processes or will new ones have to be acquired or developed
- 6.6 Defendable
 - 6.6.1 Would the organisation be able to effectively compete with existing or potential new competitors
- 6.7 Acceptable
 - 6.7.1 Does the segment or the products needed to serve it fit in with the current values and philosophies of the organisation

QUESTION 3

(a) Briefly explain each stage of the **AIETA** adoption process (**NOT** the adoption cycle) for new products. (10 marks)

(b) Identify and briefly explain **5** factors that will influence the adoption of new products. (10 marks)

(Total 20 marks)

Model Answer to Question 3

(a) **Awareness**

The consumer is exposed to the innovation

Interest

As the consumer develops more interest they will seek further information

Evaluation

Consumers carry out a 'mental trial' – possibly seeking more information than they already have. If the customer comes to a positive evaluation they are likely to move to the trial stage. If the evaluation is negative they are very likely to lose any further interest in the innovation. They may even observe other consumers using the new product for their own evaluation purposes.

Trial

Consumer is likely to use on a limited basis only at first. If they are satisfied they will continue to buy. If not satisfied they will reject it and not make any further purchases.

Adoption

If the trial was satisfactory consumers will tend to use on a more frequent basis and buy on a regular basis. Complete satisfaction hopefully could lead to brand loyalty where the consumer will only buy this particular product.

(b) Factors affecting product adoption

- 1 Relative advantage
 - It must be thought of as being better than existing products on the market.
- 2 Satisfaction of needs
 - If the customer has no need of the product or can see no benefits it will fail.
- 3 Compatibility
 - It must be consistent with lifestyles and social values of the target market.
- 4 Method of use
 - It must be easy to use or easy to learn how to use it.
- 5 Trainability
 - It must be easy to gain first hand experience of the product.

Additional acceptable answers could be:

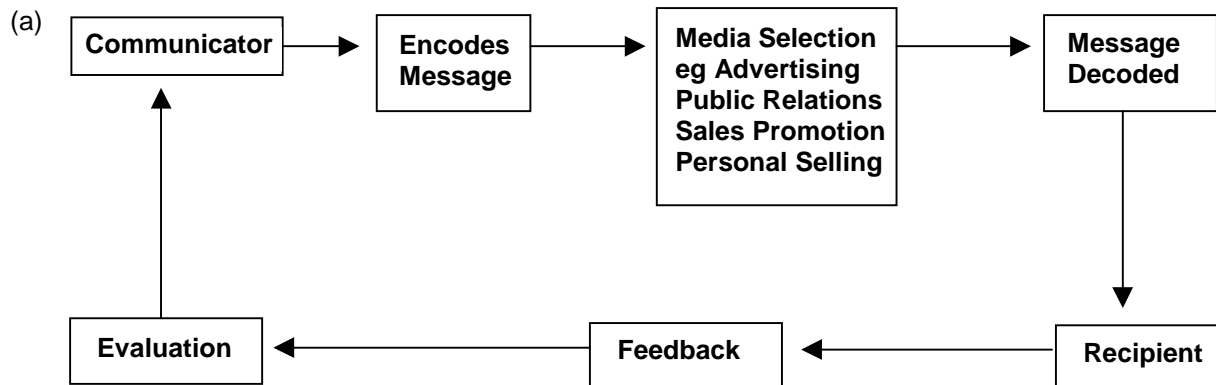
- 6 Observable
 - It must be possible to see others using the product.
- 7 Price
 - It must be within the accepted band of pricing for such a product.
- 8 Immediate benefits
 - The quicker the customer feels or experiences the benefits of the product the more successful it is likely to be.

QUESTION 4

- (a) Draw and correctly label a diagram to show the communication process. (8 marks)
- (b) Briefly explain **4 elements** of the communications mix. (8 marks)
- (c) Briefly describe **4 ways** in which a USP can be created for a product. (4 marks)

(Total 20 marks)

Model Answer to Question 4



- (b) Elements of the communications mix include:
- Advertising
 - using the media for paid communication to identified target markets
 - Public relations
 - the process of creating mutual understanding and goodwill between an organisation and its publics
 - Sales promotion
 - short term marketing tactics aimed at providing a boost to sales
 - Personal selling
 - face to face contact between buyer and seller for the purpose of producing a sale

An additional acceptable answer could be:

Direct marketing

- where a supplier deals directly with the customer through an independent channel such as the telephone, mail order or the Internet

- (c) Ways in which a USP can be created include:
- unique method of operation
 - a price differential
 - additional functions
 - compatibility with other products

Additional acceptable answers could be:

- higher quality at minimal extra cost
- ease of use
- superior service or after marketing
- delivery methods
- on-line purchasing
- credit terms
- warranties and guarantees

QUESTION 5

Write a **report** to your Marketing Director briefly explaining:

(a) **5 benefits** for an organisation having an on-line transactional presence (10 marks)

(b) **4 benefits** for customers shopping on-line. (8 marks)

(2 marks for report format)

(Total 20 marks)

Model Answer to Question 5

REPORT

To: Managing Director
From: A Candidate
Date: 22 April 2004
Subject: On-line retailing

(a) 1 Benefits for an organisation include:

- 1.1 Increased opening hours (what is referred to as 24/7) – in other words transactions can be carried out 24 hours a day seven days a week.
- 1.2 Customers can come from anywhere in the world.
- 1.3 Reduced cost of sales leading to lower prices or enhanced profits.
- 1.4 Reduced marketing costs in conventional media and promotions.
- 1.5 Access to and availability for shift workers to shop at times convenient to the customer.

Additional acceptable answers could include:

- 1.6 The ability to globally source supplies.
- 1.7 Able to use the Internet for banner advertising, hyperlinks and affiliate sales.
- 1.8 To provide a full organisational and/or product information page accessible from any connected computer anywhere in the world.
- 1.9 A web page can be extensively used for public relations purposes.

(b) 2 Benefits for customers include:

- 2.1 Available 24/7, the customer can shop twenty four hours a day seven days a week at times that are convenient to them.
- 2.2 Lower prices (usually), removal of the channels of distribution and the lack of retail premises should provide major cost savings for the supplier. Such cost savings should be reflected in the retail prices.
- 2.3 Wide variety of choice, the customer can compare many varieties of goods simply by clicking a button and moving to the next website without ever moving out of their chair.
- 2.4 No geographical limitations for source of supply, the customer can locate their needs anywhere in the world.

Additional acceptable answers could include:

- 2.5 Ease of comparing prices, the customer is able to move from site to site comparing prices of similar products.
- 2.6 Can specify delivery location, the customer can determine exactly where the goods are delivered to and in many cases the approximate time.
- 2.7 Ability to download 'digital' products online, some products such as books, newspapers, computer software and compact disks can be downloaded on line directly to the customer's computer.

QUESTION 6

- (a) Describe **6 different** ways by which an organisation might enter into international markets. (12 marks)
- (b) Explain what is meant by 'globalisation as a planned marketing strategy'. (2 marks)
- (c) Give **2 examples** of global organisations with relevant reasons for your choices. (6 marks)

(Total 20 marks)

Model Answer to Question 6

(a) **Freight Exporter**

- Simply arranges transportation of goods from a manufacturer to a destination in an international market

Agents

- The most common method in the initial stages
- May be domestic but more likely based in the international market
- May sometimes use a mixture of both
- Paid on commission only
- Low cost
- May handle other organisations products

Distributors

- Similar to agents but distributors take title (buy) to the goods
- Less financial risk and improves cash flow
- Probably require an exclusive territory or region
- Less control over the end source and selling price

Exporting Consortium

- Groups of small companies or companies with very limited international expertise and experience
- Bid for contacts and projects using their pooled resources and skills

Export House

- They represent a buyer abroad
- They buy and sell on their own account

Trading Company

- An established company in an international market
- Will seek products from numerous international suppliers
- Will supply to organisations within their own domestic (and sometimes other international) markets
- Will take full title to goods ordered

Additional acceptable answers could include:

Piggy-backing

- Uses the distribution channels of an existing international company
- Complementary channels of distribution
- Complementary but non competing products
- Will pay commission on all sales

Model Answer to Question 6 continued

Licensing

- Allowing other organisations to produce on behalf of the domestic company
- Probably involve technology/ process knowledge and use of patents
- Payment is by fees and/royalties and/or commissions

Screwdriver Assembly

- An organisation provides all the raw materials and finished components to be assembled only in the foreign market

Franchising

- Introduction of an established and proven business concept to small independents
- Gives the right to use the company name and all that is identifiable with the parent company
- May also include a management agreement during the early stages
- Purchase fee to set up and then ongoing royalties and/or commissions

Management Contracts

- The transfer of company specific knowledge and experience
- Usually for a fixed period
- Predominantly in the service industries

Strategic Alliance

- When two or more companies agree to co-operate together
- Each company retains its own identity and trading operations
- Is usually for a specific project or period of time.
- Each member of the alliance will contribute some specific resources or expertise

Joint venture

- Two or more companies come together to form a third independent company
- The parent companies will retain their own identities and trading operations
- The joint venture (third) company will be operated by both companies as detailed in a contractual agreement
- There is no fixed time period or specific project involved as the joint venture company is set up as a long term trading venture

Wholly Owned Subsidiary

- When a company seeks to establish a full trading operation in an international market.
- Will be responsible for all its own distribution, marketing, personnel and finances.
- Production may be supplied from the home country but is more likely to take place in the international market

Online eCommerce marketing

- Company offers global access via an established website
- Has full facilities for eCommerce transactions
- May establish international warehousing and distribution centers

(b) A globalisation marketing strategy refers to the specifically planned actions of trying to standardise all elements of the marketing mix across the many different international markets. This is most noticeable in the production of a standardised product, in a standardised package. Efforts will also be made to try and devise a global advert that is culturally acceptable across all markets and the methods of distribution will be standardised as far as possible. Pricing will be fixed in so far as currency fluctuations and exchange rates combined with the economic environment will allow.

(c) I would expect to see such organisations as **Coca-Cola, Kodak, MacDonalDs, IBM, Sony, Mars, Heinz, Colgate, Unilever, Shell etc** being offered. All these organisations try to offer a standardised product, using an established distribution channel in each country. As far as possible they may also use the same type of media advertising with the obvious translation into the relevant language

QUESTION 7

Write a **report** to your Managing Director briefly explaining:

(a) the importance of **CATS** in a research project (8 marks)

(b) the **5** procedures (or stages) of a research project. (10 marks)

(2 marks for report format)

(Total 20 marks)

Model Answer to Question 7

REPORT

To: Managing Director
From: A Candidate
Date: 22 April 2004
Subject: Market research

(a) When research is carried out it has to meet certain requirements of cost, accuracy, time and security.

1 **C = Cost**

- 1.1 There are many costs involved in carrying out research:
 - 1.1.1 The cost of employing a research agency or staff costs
 - 1.1.2 The costs of preparing the actual research survey
 - 1.1.3 Travelling expenses, possibly accommodation and meal costs
 - 1.1.4 The opportunity costs of management time
 - 1.1.5 The costs of having the data analysed and correctly presented
- 1.2 Organisations have to be certain that the benefits and the value of the information that is likely to be obtained will exceed the financial costs of carrying out the research. If it does not then carrying out the research would be a pointless and wasteful exercise.

2 **A = Accuracy**

- 2.1 Accuracy of the research is dependent on:
 - 2.1.1 Correctly identifying the problem or area to be investigated, failure to do so would result in data being collected that could be irrelevant to the problem at hand.
 - 2.1.2 Devising a suitable research method, selecting a relevant sample and devising an appropriate survey questionnaire.
 - 2.1.3 The training of the interviewing staff carrying out the survey.
 - 2.1.4 the correct analysis of the data.
- 2.2 Accuracy in research is vital owing to the fact that managers will base their strategies and decisions will be made on the research results. Inaccurate research could lead to the wrong decisions being made.

Model Answer to Question 7 continued

3 T = Time

- 3.1 All research will take time to be carried out. Some research methods may take a matter of days, others may last for several weeks if not months:
 - 3.1.1 Time to physically carry out secondary research (see section 4.1.2).
 - 3.1.2 Time to interview people.
 - 3.1.3 Time to analyse the data collected.
 - 3.1.4 Time to prepare the analysed data in a suitable report format.
 - 3.1.5 The longer the time taken for the research the greater likelihood of competitors getting to know about it.
- 3.2 The time factor is also essential, research has to be timely to be of use. If research is not presented within a suitable time period, the data and information obtained might already be out of date by the time the report is presented.

4 S = Security

- 4.1 The security of data and information is also an important factor:
 - 4.1.1 The agency or staff employed must not pass any information to other people.
 - 4.1.2 The greatest care possible must be taken to try and ensure that competitors do not get access to any information.
 - 4.1.3 Data when it has been collected and analysed must be stored very securely for possible future use.
 - 4.1.4 Reports should only be supplied to properly authorised people within the organisation and is not for general knowledge.
- 4.2 Trying to keep the actual research project secret from competitors can be very difficult, with the relevant controls and checks it should be possible to keep the actual information from leaking into their hands. It will be clearly seen that all four elements are closely linked together.
 - 4.2.1 A very accurate research survey is likely to take a reasonable amount of time and involve highly trained staff. The staff costs over such a period of time, combined with the degree of analysis required will affect the costs.

(b) 5 The five procedures or stages of a research prospect are:

- 5.1 Correctly identifying the problem or the area of research that is needed to be carried out.
- 5.2 Devising the most suitable method of carrying out the research:
 - 5.2.1 Careful selection of the sampling method to be used.
 - 5.2.2 Devising a relevant questionnaire to obtain the required information – this is normally.
 - 5.2.3 Pre-tested before being used in the main research project.
 - 5.2.4 Deciding on the relevant techniques and methods that will be used to analyse the data received.
- 5.3 Collecting the data:
 - 5.3.1 Using the relevant research skills and techniques for obtaining secondary data
 - 5.3.2 Carrying out the required number of interviews.
 - 5.3.3 Monitoring and spot checking of interview staff.
 - 5.3.4 Random checking of completed surveys for accuracy.
- 5.4 Analysing the data:
 - 5.4.1 Using the relevant techniques to convert the data into meaningful information.
- 5.5 Presentation of the report:
 - 5.5.1 The information has to be presented in the relevant format for the person reading the research results.

QUESTION 8

- (a) Give a suitable definition of advertising. (2 marks)
- (b) Briefly describe the 5 major roles of advertising. (10 marks)
- (c) Briefly explain 4 essential activities that should be carried out by a public relations department during a time of crisis. (8 marks)
- (Total 20 marks)**

Model Answer to Question 8

- (a) 'Advertising presents the most persuasive possible selling message to the right prospects for a product or service at the lowest possible cost'.
- (b) The major roles of advertising are:
- To inform:** Advertising gives information to potential customers about the existence of the product, its availability and may even indicate the price.
- To educate:** Potential customers need to be informed of what the product is and what it will do.
- To persuade:** Advertising has to present the benefits of a product in an effort to persuade people to buy it.
- To reassure:** To overcome cognitive dissonance, advertising needs to reassure the customer that they have made the correct choice in their purchase.
- To remind:** Even the most successful brands continue to advertise to ensure that the product stays fresh in the customer's/consumer's mind.
- Corporate advertising:** Frequently advertising will simply promote the corporate name and philosophy.
- An additional acceptable answer would be:
- To recruit:** Advertising is frequently a key tool in the recruitment of staff.
- (c) Essential activities carried out by a public relations department during a time of crisis include:
- gather all facts and issue from one centre
 - speak with one consistent voice (preferably one spokesperson only)
 - use credible, trained and well informed spokespeople
 - be accessible to the media
- Additional acceptable answers could be:
- report your own bad news
 - relate story quickly and honestly
 - if an item cannot be discussed, explain why
 - provide whatever substantive evidence possible
 - record events by photographs, video etc

QUESTION 9

Write a **report** to your Managing Director briefly explaining:

(a) what is meant by a marketing audit (3 marks)

(b) **any 5** of the 7 stages of a marketing audit. (15 marks)

(2 marks for report format)

(Total 20 marks)

Model Answer to Question 9

REPORT

To: Managing Director
From: A Candidate
Date: 22 April 2004
Subject: A marketing audit

(a) 1 A marketing audit is 'a comprehensive, systematic, independent and periodic examination of an organisations marketing environment, objectives, strategies and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance'.

(b) 2 A marketing audit closely examines the following:

2.1 The Macro-environment

2.1.1 A detailed STEEPLE analysis

2.2 The Task environment

2.2.1 Examination of the market

2.2.1.1 Its current size

2.2.1.2 Its growth potential

2.2.1.3 Profit levels being obtained

2.2.1.4 Identifying the major segments

2.3 Customers

2.3.1 What are their current needs and buying methods

2.3.2 How do they make their buying decisions

2.3.3 How do they position the organisation and its products against competitors

2.4 Competitors

2.4.1 Who are the major competitors

2.4.2 How do they compete, price, promotions, innovations

2.4.3 What are their strategies, tactics, strengths, weaknesses, size, market shares

2.5 Distributors and dealers

2.5.1 What are the main trade channels

2.5.2 Is this method growing or shrinking

2.5.3 How efficient are the channel members

2.6 Suppliers

2.6.1 Availability of key resources

2.6.2 How secure is this supply

2.6.3 Can any future trends be identified

Model Answer to Question 9 continued

- 2.7 Agencies
 - 2.7.1 Availability for warehousing and distribution
 - 2.7.2 Effectiveness of agencies currently used
- 2.8 Publics
 - 2.8.1 Have the publics who offer opportunities or those that may pose problems for the organisation been identified
 - 2.8.2 What is the organisation doing to deal with or exploit these
- 2.9 The strategy environment
 - 2.9.1 The mission statement
 - 2.9.1.1 Is it clearly stated and relevant
- 3 Objectives and goals
 - 3.1 Appropriate for the organisations resources and capabilities
 - 3.2 Clearly defined and fully understood to guide planning and allow measurement
 - 3.3 Strategy
 - 3.3.1 Is it appropriate
 - 3.3.2 Is the right marketing mix being employed, the correct segments identified, measured and targeted
 - 3.3.3 Sufficient resources being allocated to mix to be effective
 - 3.4 The Marketing Department
 - 3.4.1 The structure
 - 3.4.1.1 Levels of authority defined
 - 3.4.1.2 How are activities planned, by products, brands, regions, segments
 - 3.5 Efficiency
 - 3.5.1 Communications and relations between organisational departments
 - 3.5.2 Areas of training, motivation, supervision identified
 - 3.6 Marketing systems
 - 3.6.1 Marketing information system
 - 3.6.1.1 Is there one, how accurate is it, how timely is the information, who uses it and how is the information used
 - 3.7 Planning system
 - 3.7.1 Who is involved, how does it operate
 - 3.8 Control system
 - 3.8.1 Provide accurate measurement and results, allow for continuous monitoring
 - 3.9 New product development
 - 3.9.1 How does it gather and screen new ideas
 - 3.9.2 Does it follow the recognised development methods
- 4 Productivity
 - 4.1 How is it analysed
 - 4.1.1 By product, ranges, regions, segments or channels
 - 4.1.2 Cost effectiveness: are marketing activities costed correctly

Model Answer to Question 9 continued

- 4.2 Marketing Mix
 - 4.2.1 Product
 - 4.2.1.1 Product line objectives
 - 4.2.1.2 Does range need to be expanded or contracted
 - 4.2.1.3 Are objectives in respect of market share and sales being attained
 - 4.2.1.4 Positioning of products
 - 4.2.1.5 Brands and brand strengths
- 4.3 Price
 - 4.3.1 What are the pricing objectives
 - 4.3.2 How is pricing set, by cost, demand, by competitors
- 4.4 Place
 - 4.4.1 What channels are used
 - 4.4.2 How effective are they
 - 4.4.3 Is there sufficient market coverage
 - 4.4.4 Are their changes happening in the channels
- 4.5 Promotion
 - 4.5.1 What are the advertising objectives, are they being reached
 - 4.5.2 Correct choice of agencies and media
 - 4.5.3 Are budgets adequate to achieve objectives
 - 4.5.4 Is public relations being used effectively
 - 4.5.5 Sufficient use of database, direct and on-line marketing
 - 4.5.6 Sales force objectives clearly defined
 - 4.5.7 Sales force size and organisation adequate for objectives
- 4.6 People
 - 4.6.1 Correct type of staff employed
 - 4.6.2 Knowledgeable, customer orientated and well trained
- 4.7 Process
 - 4.7.1 Designed to provide the best service
 - 4.7.2 Adequate resource provided
 - 4.7.3 Clearly understood and easy to operate systems
- 4.8 Physical evidence
 - 4.8.1 Do the buildings, offices, retail outlets have the right ambience and atmosphere
 - 4.8.2 Do staff have uniforms, badges, qualifications
 - 4.8.3 Is full use of the corporate identity being fully exploited.

QUESTION 10

- (a) Briefly explain the difference between a product plan and a sales plan. (6 marks)
- (b) Identify and briefly explain **7 different** ethical considerations relevant to the elements of the marketing mix in the new millennium. (14 marks)
- (Total 20 marks)**

Model Answer to Question 10

(a) **Product Plan**

A brief outline of the proposed strategies and tactics that a product or brand manager intends for a specified period. Would include:

- Product developments or modifications
- Changes in product breadth or depth
- Positioning (or repositioning) intentions
- Packaging considerations
- Elements of the marketing mix

Sales plan

A summary of the proposed, planned or forecasted sales for an organisation for a specified period, usually one year.

- A total 'master' figure is obtained for the organisation
- This total figure is used in the organisation's master budget
- Compiled in numerous ways

(b) **Product**

- Organisations may reduce the amount of product in a packet without any reduction in price but do not inform the customer.
- Expensive white goods such as washing machines, vacuum cleaners and refrigerators have built in obsolescence – they will only last for a certain number of years before expensive repairs are needed.
- Lower grade materials can be used during production in an effort to trim costs and maintain profit margins caused by pressure on selling prices.
- Use of scarce resources for packaging when alternatives are readily available.
- Production of potentially dangerous products that can cause injury or even death if misused.

Pricing

- Some organisation might seize the opportunity to exploit a given situation. During the short petrol strike in the United Kingdom in 2000 some privately owned garages were adding up to £1 surcharge on each litre of petrol sold – motorists desperate for petrol either paid the price or had no petrol. Was this opportunism or exploitation?
- Hidden charges in a purchase price, the price you see is what you pay – but to gain the maximum benefit you need to buy additional items which then cost more money on top of the sum already paid. (European legislation is currently being drafted to outlaw this practice)
- Manufacturers trying to impose recommended selling prices on retailers by refusing to or disrupting supplies to retailers.
- Price fixing with other manufacturers to maintain a high selling price.

Model Answer to Question 10 continued

Promotion

- It has now been proved conclusively that smoking is harmful to health and can lead to very serious illnesses. Tobacco companies have now admitted that they have known for many years this was the truth, and yet on a global basis they still spend many billions of dollars per year on advertising their goods to promote sales of a proven addictive product.
- In many countries organisations target specific products and advertising messages to young children during children's programmes. The idea being to make the children put pressure on their parents to buy the advertised products.
- The use of misleading statements in advertisements – not lies but only half-truths. Not so long ago environmentalists outlawed phosphates used in some products as damaging to the environment. Some other products were then promoted as being phosphate free – in fact they had never contained phosphates at any time. It was not a lie – but was opportunist advertising exploiting consumers' fears.
- A face cream for ladies exploiting their fears about becoming old and having wrinkles was 97% water with less than 0.5% of active ingredients, the rest being colouring, emulsifier and perfume.

Place

- Some organisation charge for delivery, sometimes these charges can be quite high. If the customer thinks they are getting something special by delivery in so far as their parcel is the only one that is being delivered by that delivery van then the price might seem reasonable. However if the van is making 50 deliveries that day and everyone has paid £5 that is £250 per day or £1,250 per week. If the van is working for say 50 weeks per year that is £62,500 per year. It certainly does not cost any company anything like that amount to run a delivery van, tax it, insure it, maintain it and pay the driver for delivering your parcels. They are using the delivery charges to increase their profit margins on sales instead of adding this cost to the product (the selling price).
- The ice cream van parked outside an infants school every day at closing time. Is this opportunism, good distribution or is it exploitation knowing the very demanding nature of young children for such a product.
- The use of exclusive distribution where a manufacturer will only supply selected channels for dubious reasons.
- Tied agreements restricting a channels member's rights to freedom of choice.



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