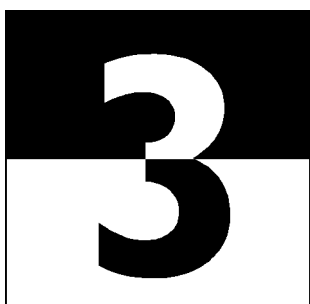


Certificate in
Marketing



Level 3

Series 3 2003

(Code 3025)

Model Answers

(UK Accreditation No: 100/1603/X)

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Certificate in Marketing Level 3

Series 3 2003

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 3 2003

QUESTION 1 (Compulsory)

You have been appointed Marketing Manager for a large privately owned hotel which is situated in a major holiday resort in your country. Using any 5 Ps of the extended marketing mix, prepare a marketing plan to cover:

(a) your proposed strategies for the next 3 years (10 marks)

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

(Total 20 marks)

(Answers must be, realistic, economically viable and relevant for the scenario given)

Model Answer to Question 1

Element	(a) Strategy	(b) Tactics
Place	<p>To have an on-line booking in operation by June 2005.</p> <p>To have established booking agents in major cities by Jan 2005.</p> <p>Provide free transport from main rail stations by Jan 2006.</p>	<p>To engage website designer by Jan 2004.</p> <p>To commence search for suitable agents Dec 2003.</p> <p>To begin negotiations with local bus and taxi firms by June 2004.</p>
Product	<p>To achieve a four star rating by June 2006.</p> <p>To have established the hotel as a premium brand operation by Dec 2005.</p>	<p>To improve the quality of the bedrooms by June 2004.</p> <p>To begin work on a new restaurant by Dec 2003.</p>
Promotion	<p>To have established the hotel as the premiere hotel in the resort by June 2006.</p> <p>To create maximum national and international awareness of the hotel by Dec 2005.</p>	<p>Use national media to advertise the hotel during 2004.</p> <p>Establish informational website, promoted on line by June 2004.</p> <p>Attend all travel and holiday exhibitions in 2004.</p>
Price	<p>To establish a national and International reputation for value for money accommodation by June 2005.</p> <p>Attain an Return on Investment (ROI) of 20% through activity based costing by June 2005.</p>	<p>To operate competitive pricing policy during 2004.</p> <p>Introduce off peak pricing from Sept 2003.</p> <p>Move to premium pricing policy in-line with hotel improvements June 2004.</p>
People	<p>Establish a reputation for friendly, helpful staff by Dec 2004.</p> <p>Ensure all staff attain hospitality management qualifications by Dec 2005.</p>	<p>Employ, pleasant, skilled and empathetic staff for all future recruitment needs.</p> <p>Introduce staff training and development programmes by Jan 2004.</p>
Process	<p>Install a rapid check-in and check-out operation by June 2005.</p> <p>On-line reservations, booking and payment facilities by Dec 2005.</p>	<p>Locate and test relevant IT systems and software by June 2004.</p> <p>Creation of transactional website facilities by June 2004.</p>
Physical Evidence	<p>To create a warm and welcoming atmosphere in the hotel by Dec 2004.</p> <p>Establish corporate identity internationally by June 2006.</p>	<p>Improve carpeting, fixtures fittings and furniture by June 2004.</p> <p>New logo, staff uniforms name badges by Dec 2003.</p>

QUESTION 2

- (a) Briefly explain **5 reasons** why an organisation might consider entering international markets. (10 marks)
- (b) Briefly explain what is meant by parallel (or grey) marketing. (4 marks)
- (c) Describe **3 ways** by which an organisation might counter grey markets. (6 marks)
- (Total 20 marks)**

Model Answer to Question 2

- (a) The following answers are accepted:
- changes in the home economic environment in which the organisation is operating. Possible a period of inflation or economic depression
 - organisational growth, the organisation is seeking to expand and grow in size and needs new markets to fuel this growth
 - exploit the PLC, the market in the home country may have reached saturation point, whereas markets in other countries may have only just opened for the product
 - competition in the home market, this may be from domestic competitors or from international competitors that have entered the home market
 - surplus capacity the organisation has the ability to produce far more goods than it is selling
 - retaliation to a foreign competitor, the threats posed by a foreign competitor can be countered by attacking the foreign competitor in their home market
 - potential purchasing power of a foreign market; it is possible in some countries (such as India, China or the USA for example, that a segment can be defined that is larger than the possible population of the home nation)
 - geographic diversification, the organisation simply wants to be represented in many more markets than it already is

- (b) Parallel (or grey) marketing refers to the surreptitious means of obtaining goods at a much lower price, by sourcing supplies from an international market, than can be obtained by normal means in the home market.

It is defined as “The unauthorised importing or exporting and subsequent sale of products intended for one market in another market”.

Owing to wide variations in taxation and duties combined with currency fluctuations identical goods can have widely different prices in different countries. Cigarettes in the UK can be £4.20 a packet, exactly the same cigarettes in other European countries can be as low as €3.18. An illicit trade in cigarettes has boomed in the UK with cigarettes being readily available in the UK at £2.50 per packet.

- (c) Manufacturers can retaliate by:
- increasing prices to the other market making them less attractive to home buyers
 - withdrawing the product from the domestic market so that no price comparisons exist
 - refusing to supply or interfere with the supply to the international market
 - drastically reducing prices in the home market to counter the low grey market prices
 - promoting campaign highlighting disadvantages of “grey products” such as no guarantees or warranties or service facilities
 - Acquiring the wholesaler or retailer concerned
 - Introducing substantial service and after market benefits only available on genuine domestic purchases

QUESTION 3

Using the example of an hotel, explain what is meant by:

- (a) core benefit (4 marks)
 - (b) basic product (4 marks)
 - (c) expected product (4 marks)
 - (d) augmented product (4 marks)
 - (e) potential product. (4 marks)
- (Total 20 marks)**

Model Answer to Question 3

- (a) **Core benefit** is the lowest level of product value – it is the basic benefit the product can offer. In the case of a hotel it will be rest, accommodation and sleep.
- (b) The **basic product** is the minimum requirements required in a product to effectively supply the core benefit. The hotel will need to provide a room with a bed, a cupboard and drawers to store clothes and possibly a table and chair and washing and toilet facilities.
- (c) The **expected product** level adds those additional features that most customers have now come to expect (and practically regard as the core product). Organisations will have to supply at this level simply to compete in the market – it is not possible to differentiate at this level. The hotel will be expected to provide clean bed linen and towels, en-suite bathroom facilities, bedside lamps, radio system, a secure locking door and a degree of peace and quiet.
- (d) The **augmented product** – this stage seeks to move beyond the customers' normal expectations by providing extras that possibly other competitors might not. The hotel might provide room service, remote control television, trouser press, hairdryers, tea and coffee facilities, fresh flowers in the room etc.
- (e) The **potential product** is the final layer that seeks to exceed the customers' expectations and to delight them rather than simply please and satisfy them. It is bounded only by the imagination and resources of the supplier. The hotel may offer an in-house laundry facility, free transport to and from airports or rail stations, in-house video films or games, a refrigerator with a selection of drinks etc.

QUESTION 4

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

(a) the purpose of a SWOT analysis (10 marks)

(b) the **4 different levels** of competition. (8 marks)

(2 marks for report format and 18 marks for content)

(Total 20 marks)

Model Answer to Question 4

To: Managing Director
From: A Candidate
Date: 11 June 2003
Subject: Purpose of a SWOT and levels of competition

- (a) 1 SWOT analysis
- 1.1 It is an analytical tool
 - 1.2 It is used both internally and externally
 - 1.3 It comprises of 4 elements: strengths, weaknesses, opportunities and threats
 - 1.4 Strengths and weaknesses are for analysing all aspects of the organisation itself
 - 1.5 Strengths and weaknesses should cover all departments in the operation of a SWOT
 - 1.6 Opportunities and threats relate to aspects of the external environment
 - 1.7 It is used to provide information to management upon which decisions are made
 - 1.8 It is essential in the formulation of objectives, strategies and tactics
 - 1.9 Should ideally be carried out by an independent person or external organisation
- (b) 2 Types of competition
- 2.1 Intra competition or first level competition
 - 2.1.1 A very similar type of product that will satisfy the same need
 - 2.1.2 Competitor for Coca-Cola would be another cola drink such as Pepsi®
 - 2.2 Inter competition or second level competition
 - 2.2.1 Another similar product that satisfies the same benefit
 - 2.2.2 The competition for Coca-Cola® at this level would be any other type of fizzy or carbonated drink such as lemonade
 - 2.3 Generic competition or third level competition
 - 2.3.1 Any other product that would satisfy the same need
 - 2.3.2 The competition here is to satisfy the need to quench a thirst
 - 2.3.3 The competition for Coca-Cola® could be a cup of coffee, a glass of beer or a cup of water
 - 2.4 Competing pound competition or fourth level competition
 - 2.4.1 Any other type of product that a customer might choose to buy instead of the intended product
 - 2.4.2 In the case of Coca-Cola® a customer might choose a bar of chocolate instead
- or
- perhaps a packet of crisps

QUESTION 5

Using each element of the 4 Ps of the **basic** marketing mix, write a **report** to your Managing Director explaining some of the ethical issues relating to, and reflecting upon, marketing in the new millennium.

(2 marks for report format and 18 marks for content)

(Total 20 marks)

Model Answer to Question 5

To: Managing Director
From: A Candidate
Date: 11 June 2003
Subject: Ethical considerations across the marketing mix

Candidates should cover some of the following:

1 **Product**

- 1.1 Reducing product contents with no price reductions
- 1.2 Not informing customers of content reductions (the eleventh Rolo)
- 1.3 Built-in obsolescence in white goods
- 1.4 Use of lower grade materials in production to increase profit margins
- 1.5 Use of scarce resources for packaging when alternatives are readily available
- 1.6 Production of potentially dangerous goods

2 **Pricing**

- 2.1 Exploitation of price during national shortage (recent petrol strike)
- 2.2 Price fixing (though officially illegal – still persists)
- 2.3 Imposition of recommended selling prices (again officially illegal)
- 2.4 Hidden charges in selling price (VAT to be added, delivery charges, essential “add-ons” not included in prices.
- 2.5 Price dumping in international markets

3 **Promotion**

- 3.1 Advertising dangerous and harmful products (tobacco advertising)
- 3.2 Targeting children for specific adverts during children’s peak TV viewing times
- 3.3 Misleading adverts
- 3.4 Promoting fear or anxiety to sell products (wrinkle cream, insurance cover)
- 3.5 Using sponsorship to avoid advertising bans

4 **Place**

- 4.1 Tied agreements restricting channel members (motor industry)
- 4.2 Use of exclusive distribution by refusing to supply comparable members of the distribution chain
- 4.3 Exploitation of delivery charges when using own distribution system
- 4.4 Making false delivery promises to secure a sale
- 4.5 Charging customers to use a car park unless they spend a specific amount in the store

QUESTION 6

- (a) Identify **5** key marketing personnel in a large organisational marketing department. (5 marks)
- (b) For each of the personnel identified in part (a) above, briefly explain **3** key functions or activities. (15 marks)

(Total 20 marks)

Model Answer to Question 6

(a) **Marketing personnel**

- Marketing director/manager
- Market research manager
- Advertising and promotions manager
- Public relations manager
- Sales manager

Additional acceptable answers could be:

- Brand manager
- Distribution manager
- New product development manager
- Website manager
- Direct marketing manager
- Telesales centre manager

(b) **Marketing Director/Manager**

- devises marketing strategy in line with corporate objectives
- reports to senior management/board of directors
- managerial responsibility for department staff

An additional acceptable answer could be:

- prepare, monitor and control budgets

Market Research Manager

- devising and preparing research projects
- collection of data, analysis and presentation of information
- recruitment or research staff

Additional acceptable answers could be:

- selection and appointment of research agencies
- liaison with other marketing departments for research needs

Advertising/Promotions Manager

- devising, planning and implementing advertising programs
- liaison with advertising, media or creative agencies
- preparation of advertising and promotional budgets

An additional acceptable answer could be:

- recruitment and management of department

Model Answer to Question 6 continued

Public Relations Manager

- establishing media relations
- organising and executing media events
- developing good community relations

Additional acceptable answers could be:

- promoting corporate image
- management and control of corporate publications
- planning, organising and execution of exhibitions, sponsorships and public relations events

Sales Manager

- recruitment, management and training of sales force
- sales planning and sales forecasts
- management of key accounts

An additional acceptable answer could be:

- sales force appraisal and remuneration

Additional acceptable answers could be:

Brand Manager

- development, promotion and enhancement of one (or more) specific brands
- devise appropriate marketing mix to attain brand objectives
- liaises with NPD department
- liaises with all other departments

Distribution Manager

- control and scheduling of delivery fleet
- management of warehousing and storage facilities
- liaison with fleet carriers if required
- recruitment and management of distribution staff

New Product Development Manager

- liaison with brand managers for product ideas
- organising ideas generation sessions
- researching patent registers
- close liaison with production and R & D departments

QUESTION 7

- (a) Provide a suitable definition of **segmentation**. (2 marks)
- (b) Briefly explain **4** different criteria for evaluating a segment. (8 marks)
- (c) Briefly describe **5** different bases for segmenting markets. (10 marks)
- (Total 20 marks)**

Model Answer to Question 7

(a) A definition of segmentation is:

“The process of examining a heterogeneous group of people in a total market in an effort to identify smaller similar or homogenous groups.”

(b) **Distinctive**

- are there sufficient differences in the segment to separate it from other segments in the market

Accessible

- can it be reached and communicated to with the promotions mix, is there a distribution channel that can be employed

Measurable

- can the segment be measured in terms of potential customers, potential revenues and levels of profitability

Sustainable

- is it worth catering for, is it a segment that will endure over time or is it likely to be a fad.

Additional acceptable answers could be:

Serviceable

- can it be served with existing products or are new products required. If new products are required has the organisation got the resources and knowledge to produce them

Defendable

- could we compete with competitors or indeed fight off other competitive entrants into the market

(c) **Geographic**

- Region – north, west, south, east, north west etc
- climate
- City, urban or rural

Demographic

- ages
- family size and family life cycle
- gender
- income
- education
- religion
- race
- social class

Psychographics

- personality
- lifestyles

Behavioural

- occasions - regular or special
- benefits - quality, price, speed, service etc.
- user rates – light, medium or heavy users
- user status – non user ex-user, potential user, first time user etc
- buyer readiness - unaware, aware, informed, interested, desirous, regular buyer
- loyalty status – none, medium, strong or absolute

QUESTION 8

- (a) Provide a suitable definition for **after-marketing**. (2 marks)
- (b) Briefly explain the purpose of after-marketing by an organisation. (4 marks)
- (c) Briefly describe **7** different tactics used in after-marketing. (14 marks)
- (Total 20 marks)**

Model Answer to Question 8

- (a) After-marketing is defined as:

“All the relevant actions taken by an organisation **after** a transaction has been completed.”

- (b) The reasons for after-marketing strategies or tactics are:

- to ensure customer satisfaction
- to reduce customers post purchase fears
- to establish trust with the customer
- to encourage repeat purchases
- to create customer loyalty
- to assist word of mouth recommendations

- (c) **Tactics**

- provision of extended warranties
- provision of guarantees
- free home delivery
- free home installation (if required)
- home instruction (if required)
- instruction manuals
- follow-up telephone calls

Additional acceptable answers could be:

- follow up visits
- inclusion in user groups for periodic publications
- notification of up-dates or new additions
- 0800 help line
- field service personnel
- customer service department

QUESTION 9

Using a suitable example, briefly explain what is meant by **each** of the following terms:

- (a) omnibus survey (4 marks)
 - (b) qualitative research (4 marks)
 - (c) primary research (4 marks)
 - (d) a consumer panel (4 marks)
 - (e) ad-hoc research. (4 marks)
- (Total 20 marks)**

Model Answer to Question 9

(a) **Omnibus survey**

This is where 2 or more organisations contribute to the total cost of a research project. Each organisation will have specific questions relating to their activities. Each company will receive analysis of the research demographics – but only the results of their specific questions.

Example

A holiday company, a sun tan lotion company, a sunglasses company and a swimwear company may all combine in one survey.

(b) **Qualitative research**

The type of research that is frequently referred to as soft research, or soft data. It is designed to measure people's attitudes, beliefs, preferences, intentions and levels of awareness. Does not provide hard quantifiable data (but is capable on non-parametric analysis if coded correctly). Makes frequent use of open questions and is invariably carried out by personal survey.

Example

A survey carried out to evaluate the levels of awareness for an organisation's products.

(c) **Primary research**

Frequently referred to as field research. This the type of research that is carried out to obtain specific data for the first time. This may be owing to the fact that no similar data exists, or if it does, it is out-of-date or irrelevant to the current topic being researched.

Example

Research to establish how many hours a person spends surfing the Internet who live a particular city.

Model Answer to Question 9 continued

(d) **A consumer panel**

This is a small group of people who have been selected and assembled to discuss in depth some specific research issue. There is no specific agenda but members will be guided by the direction of a group mediator. Such panels are frequently taped and video-recorded to allow a detailed analysis of their discussions at a later date.

Example

A panel may be assembled to test a new (unlabelled and unidentified) product before test marketing, or to evaluate the effectiveness of a new advert before launch.

(e) **Ad-hoc research**

Is a type of research that is carried out for a specific project. It will have a defined starting point and a fixed termination point. Once completed the project is finished for good.

Example

Research into the effect of a price reduction on customer perceptions of quality.

QUESTION 10

- (a) Give a suitable definition of **sales promotion**. (2 marks)
- (b) Suggest **6** different reasons why an organisation might use sales promotions. (6 marks)
- (c) Briefly explain **2 disadvantages** of sales promotion for an organisation. (4 marks)
- (d) Briefly explain **2 advantages** of sales promotion for customers. (4 marks)
- (e) Briefly describe **4** different types of sales promotion. (4 marks)
- (Total 20 marks)**

Model Answer to Question 10

- (a) **Sales promotion is defined as:**

“A range of short term tactical marketing techniques designed to add value to a product or service in order to achieve sales and marketing objectives“.

- (b) **Reasons why an organisation might use sales promotions:**

- to assist a new product launch
- to gain increased sales
- to increase market share
- to reduce manufacturer's stocks
- to avoid a price war
- to combat a competitors new product entry into the market

Additional acceptable answers could be:

- in retaliation to a competitor's promotion
- to encourage trial purchase
- to persuade or tempt customers to act
- end of season clearance
- to promote sales out of season
- to encourage brand switching
- to stimulate the organisation's cash flow

- (c) **Disadvantages of a sales promotion for an organisation:**

- loss of profits when products are bought by good regular customers who would still buy at full price with no offer
- too many promotions can damage the brand image

Additional acceptable answers could be:

- too many promotions can result in the wrong corporate image being created
- sales promotions cost money and can even end up with the organisation making a loss.
- brand switchers will only buy whilst promotion lasts and then desert the product
- larger competitors could retaliate with a superior promotion.

Model Answer to Question 10 continued

(d) Advantages of a sales promotion for customers:

- they provide added value
- reduce financial risk when trying a new product
- allow for stocking up of a regular purchase item

(e) Types of sales promotion

- Money off coupons:
- Extra product:
- Multiple packs
- Free product (BOGOF – BTGT)

Additional acceptable answers could be:

- Competitions
- Premium give-aways
- Token offers
- Simple cash discount
- Happy hours



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