

Certificate in
Marketing



Level 3

Series 4 2003

(Code 3025)

Model Answers

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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 4 2003

QUESTION 1 (Compulsory)

You have been appointed the Marketing Manager for 'In-Fashion' a chain of shops selling fashion clothes to the 17 to 30 age group. There are currently 20 stores situated in different towns and cities in your country.

Using **any 5 Ps** of the extended marketing mix, show in outline:

- (a) the proposed strategies for the next 3 years (10 marks)
- (b) the proposed tactics for the next 12 months. (10 marks)

(Your answers must be realistic, economically viable and relevant to the subject of the question)

(Total 20 marks)

Model Answer to Question 1

Topic	(a) Strategy	(b) Tactics
Product	<p>To continuously seek to add value to our products over the next 3 years.</p> <p>To expand our range of products to include footwear and fashion accessories by January 2005.</p>	<p>To stock all major brands of clothes in line with consumer demand within 6 months.</p> <p>To introduce new fashion lines as soon as they are available for the 17-30 age group.</p> <p>To develop our own 'branded product' for re-sale in our own outlets by December 2004.</p>
Price	<p>To establish a reputation for affordable quality within the target market within 2 years.</p> <p>To become the 'price setter' within the boutique clothes industry within 5 years.</p>	<p>To reduce clothes prices to gain market share within 3 months.</p> <p>To revert to competitive pricing within 9 months.</p> <p>To offer price discounts to loyal customers through the introduction of a loyalty card.</p>
Place	<p>To achieve national coverage with our clothes shops within 5 years.</p> <p>To introduce an Internet based multi-national operation by January 2005 for mail order.</p>	<p>To open 10 new clothes shops by Dec 2004.</p> <p>To increase the size and capacity of 10 existing clothes shops by March 2004.</p> <p>To seek suitable premises both in the home market and at key international locations to facilitate the deliveries for the Internet operation.</p>
Promotion	<p>To establish the stores as superb value outlets in the mind of the consumer within 2 years.</p> <p>To establish 'In-Style' as the premiere brand in the industry by December 2007.</p>	<p>To commission a mass media advertising campaign using press and television within 6 months.</p> <p>To introduce special sales promotional offers for the peak Christmas period November 2004.</p> <p>To develop and exploit customer database with direct marketing by June 2004.</p>
People	<p>To offer the highest level of customer service in the industry by June 2005.</p> <p>All staff to be fully trained in customer service and customer care by Dec 2004.</p>	<p>To recruit fully experienced staff, of the correct demeanour, empathy and product knowledge by June 2004.</p> <p>Introduce staff training programmes for all grades of staff by June 2004.</p>
Process	<p>Introduce facilities for customers to pay with any type of credit charge, or debit card by Dec 2005.</p> <p>Install the best EPOS till system to ensure fast service, with real time stock control facilities by June 2005.</p>	<p>Introduce own credit account card by June 2004.</p> <p>Install additional service points to reduce customer queuing in all shops by Dec 2004.</p> <p>Establish a customer service section in every shop to speed provide speedy response to customer enquiries, complaints and returns by March 2004.</p>
Physical Evidence	<p>To create an exciting shopping environment in all shops by Dec 2005.</p> <p>Establish a strong corporate image, recognised nationally by June 2005.</p>	<p>Bright colourful interiors with current pop music played. Modern fixtures for the displaying of merchandise by June 2005.</p> <p>Introduce staff uniforms and name badges for all staff within 3 months.</p> <p>Company logo and house colours to be visibly displayed at all points of public contact within 12 months.</p>

QUESTION 2

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

(a) **3 reasons** for the growth of the Internet (3 marks)

(b) **6 benefits** for an organisation of having an Internet presence (12 marks)

(c) **3 benefits** for customers shopping on-line. (3 marks)

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

(Total 20 marks)

Model Answer to Question 2

To: Managing Director
From: A Candidate
Date: 2 December 2003
Subject: The Internet

- (a) 1 Reasons for growth of the Internet:
- 1.1 Development of the World Wide Web
 - 1.2 Development of web browser software
 - 1.3 Development of HTML language for designing web pages
 - 1.4 Development of Java and Java based script
 - 1.5 Reducing costs of personal computers
 - 1.6 Commercially available communications systems (modems)
 - 1.7 Access to Internet through web TV, WAP and Internet cafes and bars
- (b) 2 Benefits for an organisation of an Internet presence:
- 2.1 Increased opening hours (what is referred to as 24/7). In other words transactions can be carried out hours a day seven days a week
 - 2.2 Customers can come from anywhere in the world
 - 2.3 Reduced cost of sales leading to lower prices or enhanced profits
 - 2.4 Reduced marketing costs in conventional media and promotions
 - 2.5 Access to and availability for shift workers to shop at times convenient to the customer
 - 2.6 The ability to globally source supplies
 - 2.7 Able to use the Internet for banner advertising, hyperlinks and affiliate sales
 - 2.8 To provide a full organisational and/or product information page accessible from any connected computer anywhere in the world
 - 2.9 A web page can be extensively used for public relations purposes.
- (c) 3 Benefits for customers shopping on-line:
- 3.1 Available 24/7, the customer can shop twenty four hours a day seven days a week at times that are convenient to them
 - 3.2 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
 - 3.3 Wide variety of choice, the customer can compare many varieties of goods simply by clicking a button and moving to the next web site without ever moving out of their chair
 - 3.4 No geographical limitations for source of supply, the customer can locate their needs anywhere in the world
 - 3.5 Ease of comparing prices, the customer is able to move from site to site comparing prices of similar products
 - 3.6 Can specify delivery location, the customer can determine exactly where the goods are delivered to and in many cases the approximate time
 - 3.7 Ability to download 'digital' products on-line, some products such as books, news papers, computer software and compact disks can be downloaded on line directly to the customer's computer

QUESTION 3

(a) Briefly describe **5 different** pricing objectives. (10 marks)

(b) Briefly explain **5 different** factors an organisation must consider before deciding on a selling price. (10 marks)

(Total 20 marks)

Model Answer to Question 3

(a) Pricing objectives:

- To maximise long term profits
- To maximise short term profits
- To sustain company growth
- To stabilise the market
- To maintain price leadership
- To be the market leader
- To create barriers to entry into the market
- To drive out marginal competitors
- To maintain loyalty of middlemen and retailers
- To enhance the image of the firm and its products
- To be regarded as good value by customers

(b) Factors an organisation will have to consider before deciding on a selling price:

- The actual (and potential) level of market demand
- The nature and level of competition in the market place
- The price elasticity of demand
- The impact of the channels of distribution
- Recovery of research and development costs
- Consumer behaviour and perceptions
- Macro-economic trends such as material cost, labour costs, inflation rate, unemployment.

QUESTION 4

- (a) Briefly explain **4 different** advantages that branding offers to a manufacturer. (8 marks)
- (b) Briefly describe **4 different** types of branding strategy and give a relevant example for **each** type offered. (12 marks)

Model Answer to Question 4

- (a) Advantages branding offers to a manufacturer:
- Provides a level of legal protection from copying
 - It permits segmentation of markets
 - Helps create and maintain customer loyalty
 - Creates a differential advantage
 - Provides a defence from competitors
 - Can also assist in building a strong corporate image
 - Increases power over retailers
 - Allows premium pricing
- (b) **Stand-alone Brand**

An organisation that competes in numerous different markets and has a number of product offerings within each market is quite likely to adopt this policy.

The American organisation Proctor & Gamble is a classic example of such an organisation. They offer products in the soap powder and detergent market as well as toiletries, hair care, baby products and soft drinks markets amongst others. Such products as Daz and Ariel soap powders, Head and Shoulders, Pantene shampoos, Pampers disposable nappies and Sunny Delight fruit drink all originate from Proctor & Gamble. Indeed many customers probably do not even realise this until a close examination of the product label reveals the manufacturer as Proctor & Gamble.

This type of strategy allows an organisation to develop numerous products (all using stand-alone brand names) without the risk that a failed product will impact on other existing brands.

Group Family Brand

An organisation that has numerous products in different markets may also adopt a family name strategy, where all products include an identical element. The classical example of an organisation with such a diverse range of products is Heinz with their tomato ketchup, Heinz baked beans, Heinz salad cream, Heinz tinned soups and Heinz ready meals. A similar strategy is adopted by the Ford Motor Company with such models as the Ford Escort, the Ford Mondeo, the Ford Focus etc.

This type of strategy allows an organisation to trade on an existing, well established brand identity and assists in the launch of a new product. The disadvantage is should any given product fail, it could have an adverse effect on existing brands.

QUESTION 4 CONTINUED

Individual Family Name

This is where an organisation seeks to add additional products to a particular range of goods where an established brand name already exists. This is another strategy that is also adopted by Proctor & Gamble for example Pantene shampoo was the established brand, but Proctor & Gamble have since added Pantene conditioner and Pantene hair spray. Such a strategy can only be applied for the use of additional product lines to an already established brand.

The advantages and disadvantages of such a strategy are exactly the same as for a group family brand.

Company (or corporate) Name Brand

This is where the corporate name has dominance in all brand naming. Quite frequently the individual product may simply have a number combined with the corporate name. The car companies such as Peugeot and Volvo frequently use this method with such models as the Peugeot 206, 306 and 406 or the Volvo 404. Camera companies use a similar policy with the Nikon FE2 or FE3.

QUESTION 5

Write a **report** to your Managing Director describing **6 different** methods which the organisation might consider when entering international markets.

(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: 2 December 2003
Subject: Entry methods for international markets

- 1 **Freight Exporter:**
 - 1.1 Simply arranges transportation of goods from a manufacturer to a destination in an international market
- 2 **Agents:**
 - 2.1 The most common method in the initial stages
 - 2.2 May be domestic but more likely based in the international market
 - 2.3 May sometimes use a mixture of both
 - 2.4 Paid on commission only
 - 2.5 Low cost
 - 2.6 May handle other organisations products
- 3 **Distributors:**
 - 3.1 Similar to agents but distributors take title (buy) to the goods
 - 3.2 Less financial risk and improves cash flow
 - 3.3 Probably require an exclusive territory or region
 - 3.4 Less control over the end source and selling price
- 4 **Exporting Consortium:**
 - 4.1 Groups of small companies or companies with very limited international expertise and experience
 - 4.2 Bid for contacts and projects using their pooled resources and skills
- 5 **Export House:**
 - 5.1 They represent a buyer abroad
 - 5.2 They buy and sell on their own account
- 6 **Trading Company:**
 - 6.1 An established company in an international market
 - 6.2 Will seek products from numerous international suppliers
 - 6.3 Will supply to organisations within their own domestic (and sometimes other international) markets
 - 6.4 Will take full title to goods ordered
- 7 **Piggy-backing:**
 - 7.1 Uses the distribution channels of an existing international company
 - 7.2 Complementary channels of distribution
 - 7.3 Complementary but non competing products
 - 7.4 Will pay commission on all sales.

QUESTION 5 CONTINUED

8 **Licensing:**

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

9 **Screwdriver Assembly:**

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

10 **Franchising:**

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

11 **Management Contracts:**

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

12 **Strategic Alliance:**

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

13 **Joint venture:**

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

14 **Wholly Owned Subsidiary:**

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

QUESTION 6

Briefly explain what is meant by:

- (a) a non-profit (or not-for-profit) organisation
- (b) a marketing audit
- (c) SWOT
- (d) added value.

Model Answer to Question 6

(a) **A non (or not for) profit organisation**

Normally exists to promote the cause and needs of less privileged members of society. Other non profit organisations may exist to promote various causes such as pressure groups or indeed be formed to create awareness of social issues or in an effort to change public opinion, attitudes or behaviour. They are normally funded by public donations or government funding. Central and local government operations such as police, fire service, education, health services and the armed forces also fall into this category

(b) **A marketing audit**

Is the planned and systematic research and analysis of all the operational aspects and environmental elements that can impact on the performance and efficiency of the marketing department.

(c) **SWOT**

Is an analytical tool used by an organisation to evaluate various aspects of its internal operations and to evaluate different aspects of the external environment.

S = strengths (internal and could be such as strong brands, experienced management

W = Weaknesses (internal) such as ageing production facilities, small market share

O = Opportunities (external) emerging markets, new technology

T = Threats (external) new competitors, changing markets

(d) **Added value**

These are the additional product or service features included in a sale that enhance the value (or worth) of a product in the mind of the customer or consumer. After sales service, free installation, warranties or guarantees are all examples of added value. Added value has nothing to do with the price of a product or service.

QUESTION 7

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

(a) the **5 different** stages of a market research project (10 marks)

(b) the importance of CATS in relation to market research. (8 marks)

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

(Total 20 marks)

Model Answer to Question 7

To: Managing Director
From: A Candidate
Date: 2 December 2003
Subject: Market research

(a) 1 **Stages of a market research project:**

- 1.1 Correctly identifying the problem or the area of research that is needed to be carried out
- 1.2 Devising the most suitable method of carrying out the research:
 - 1.2.1 Careful selection of the sampling method to be used
 - 1.2.2 Devising a relevant questionnaire to obtain the required information – this is normally pre-tested before being used in the main research project.
 - 1.2.3 Deciding on the relevant techniques and methods that will be used to analyse the data received.
- 1.3 Collecting the data
 - 1.3.1 Using the relevant research skills and techniques for obtaining secondary data
 - 1.3.2 Carrying out the required number of interviews
 - 1.3.3 Monitoring and spot checking of interview staff
 - 1.3.4 Random checking of completed surveys for accuracy.
- 1.4 Analysing the data
 - 1.4.1 Using the relevant techniques to convert the data into meaningful information
- 1.5 Presentation of the report
 - 1.5.1 The information has to be presented in the relevant format for the person receiving the report

(b) 2 **Importance of CATS:**

- 2.1 **C = Cost** There are many costs involved in carrying out research:
- 2.1.1 The cost of employing a research agency or staff costs
 - 2.1.2 The costs of preparing the actual research survey
 - 2.1.3 Travelling expenses, possibly accommodation and meal costs
 - 2.1.4 The opportunity costs of management time
 - 2.1.5 The costs of having the data analysed and correctly presented

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.

- 2.2 **A = Accuracy** Accuracy of the research is dependent on:
- 2.2.1 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.
 - 2.2.2 Devising a suitable research method, selecting a relevant sample and devising an appropriate survey questionnaire
 - 2.2.3 The training of the interviewing staff carrying out the survey
 - 2.2.4 The correct analysis of the data.

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.

- 2.3 **T = Time** 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.
- 2.3.1 Time to physically carry out secondary research time to interview people
 - 2.3.2 Time to analyse the data collected
 - 2.3.3 Time to prepare the analysed data in a suitable report format
 - 2.3.4 The longer the time taken for the research the greater likelihood of competitors getting to know about it

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.

- 2.4 **S = Security** The security of data and information is also an important factor:
- 2.4.1 The agency or staff employed must not pass any information to other people
 - 2.4.2 The greatest care possible must be taken to try and ensure that competitors do not get access to any information
 - 2.4.3 Data when it has been collected and analysed must be stored very securely for possible future use.
 - 2.4.4 Reports should only be supplied to properly authorised people within the organisation and is not for general knowledge.

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.

QUESTION 8

- (a) Provide a suitable definition of marketing. (2 marks)
- (b) Fully explain the historical origins and meaning of:
- (i) product orientation (4 marks)
 - (ii) selling orientation (4 marks)
 - (iii) marketing orientation. (4 marks)
- (c) Briefly explain what is meant by relationship marketing. (6 marks)
- (Total 20 marks)**

Model Answer to Question 8

- (a) Marketing is defined as:
- ‘The management process that identifies, anticipates and satisfies customers requirements efficiently and profitably’
- (b) (i) **Product Orientation (Concept)**
- born during the industrial revolution
 - mass production meant most people could buy
 - demand exceeded supply
 - customers bought what ever the organisation could make
- (ii) **Sales Orientation (Concept)**
- growth of competition in most markets
 - pressure on customers to buy from a choice of competitors
 - organisations had to sell what they produced
 - advent of high pressure selling and mass communications
- (iii) **Marketing Orientation (Concept)**
- realisation that customers had preferences and tastes in what they wanted.
 - researching markets and customer wants
 - developing and providing goods and services that customers wanted.
 - promoting and communicating the benefits
- (c) Relationship marketing takes the marketing concept a stage further in so far as it seeks to build long term relationships with customers. It recognises that markets are finite and that customers are not in endless supply. Relationship marketing seeks to establish and maintain customer loyalty to the extent that customers become regular and consistent buyer from the organisation. It is aimed at increasing the 'share of the wallet' of customers.

QUESTION 9

- (a) Identify the different roles in an **Industrial DMU**. (8 marks)
- (b) Why is knowledge of the roles of members of a DMU important to a marketing department selling to the organisation? (12 marks)

Model Answer to Question 9

- (a) Industrial DMU:
- Starter
 - Purchaser
 - Advisor
 - Decider
 - End user
 - Financier
 - Gatekeeper
- (b) Importance to marketing department selling to the organisation:
- to identify gate keeper and their level of importance
 - identify the advisors and the type, level and importance of the advice offered
 - identify eventual decision maker, or if a group decision who is the major force in the decision unit and the level of their importance.

Dependant on the type of product or service sold each different role may have major significance on an eventual purchase.

A routine re-buy situation (consumables, well established raw materials etc) then major role is that of the purchaser (the buyer) who will be little more than an order placer. Gatekeeper has no influence.

A modified re-buy (when the organisation might be considering a change to a new supplier, or a change in the actual product purchased) then advisors and deciders become more important. They need to be contacted and an appropriate presentation or representation made to them. Getting past the gatekeeper becomes more important to ensure you reach the right people.

A new buy (buying for the very first time). Identifying and getting past the gatekeeper is essential. Knowledge of advisors is very important and identifying the decision maker is also very important. The role of the advisor is paramount as it may well be the result of their input that decides the purchase decision. The financier assumes major importance in respect of major capital purchases and a presentation of cost-benefits may be required to gain their support.

For technical products then invariably it will be the advisors and end users who will have most of the influence as they will be primarily concerned in the use of the purchase. Deciders may simply follow their advice subject to possible influence from financier.

QUESTION 10

Write a **report** to your Managing Director explaining the meaning and importance of the following:

- (a) **P** for people (6 marks)
- (b) **P** for process (6 marks)
- (c) **P** for physical evidence. (6 marks)

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

(Total 20 marks)

Model Answer to Question 10

To: Managing Director
From: A Candidate
Date: 2 December 2003
Subject: The extended marketing mix

- (a) 1 The **P** for people
 - 1.1 Owing to the personal and high contact nature of many services, the marketing function can not be separated from the operational function.
 - 1.2 As a result staff employed in the provision of the service become part of the marketing mix.
 - 1.3 It is essential that the correct type and quality of staff are employed in the contact services whether this is on a continuous, ad-hoc or distant (eg via telephone) basis as they are the company in the eyes of the customer.
- (b) 2 The **P** for process
 - 2.1 Once more owing to the customer being present during the production of the service in many cases, it is essential that the operation to produce and deliver the service to the customer is designed to ensure that the staff can meet the customer expectations.
 - 2.2 The process has to be designed in such a manner that allows the staff to carry out their duties at the optimum level.
- (c) 3 The **P** for physical environment

This relates to the actual setting where a service is performed or carried out.

 - 3.1 It refers to the décor, layout, furnishing, lighting , music and fixtures and fittings present in the service setting (what is referred to as the service factory).
 - 3.2 This can have a remarkable psychological effect on customers in respect of their purchase behaviour.



**EXAMINATIONS
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