

3E2 MARKETING – CRIB 2016

- 1 (a) Briefly describe the general framework of marketing strategy.

The framework includes 5Cs, STP, and 4Ps. The student needs to list out in full all these items and describe their relative positions in the framework, in words or graphically. Some brief explanation for each item would earn extra credit.

- (b) From a product orientation perspective, a cinema is principally a business that screens movies. Explain how a cinema's business could be viewed differently from a market orientation perspective.

Some possible points are:

- *While patrons come to cinemas to see movies, ultimately they are seeking entertainment. So a cinema is a business that provides entertainment.*
- *This means that a cinema's business is not just about screening movies but to bring about an experience that will make patrons feel entertained. Here the student can emphasise that a market offering can be about experience.*
- *The implication is that a cinema could be a "popcorn" business, with revenue generation not only (or even mainly) from ticket sales, but from peripheral services such as food and beverages that can enrich the entertainment experience for patrons. Thus a cinema could charge relatively inexpensively for tickets but relatively expensively for food and beverages; sales for the latter could be further increased by prohibiting patrons from bringing their own food and beverages into the cinema.*
- *The student may further discuss the fact that ticket prices are often a focus of competition among cinemas and are highly transparent market information to consumers, with websites that compare prices efficiently for them. Meanwhile food and beverage prices at cinemas are more non-transparent and in any case are potentially neglected by consumers until they enter the cinema. This all the more calls for cinema managers to leverage the profit-generating opportunities from outside of ticket sales.*
- *More generally, students may use a job-based segmentation perspective to discuss the variety of customer needs among cinema patrons, and elaborate accordingly.*

- (c) Explain why Master of Business Administration (MBA) programmes might need to maintain *high* fees to attract good students.

Some possible points are:

- *Only with high fees can there be self-selection: only good students who know they are likely to complete the programme will sign up and pay the fees.*

- *Good students are more likely than less good students in obtaining funding from their employers to enroll in an expensive programme. This again enhances the selection effect.*
- *The above then generate a signaling effect, as any applicant can trust that the programme participants will all be good enough, which then increases the potential value of networking among participants, and the value of the programme itself.*
- *It can also be mentioned that price may be directly perceived as a signal of the quality of education provided, independently of the selection effect.*

2 (a) “Pricing is the moment of truth – all of marketing strategy comes to focus on the pricing decision.” Discuss this statement.

Price is the only element in the marketing mix that generates revenue; all others are sources of costs. As such, pricing decision takes on the unique role of revenue generation, which then justifies the whole idea of setting up and running the business in the first place. Hence the quote above. The student may also make use of the concept of value chain to highlight the unique importance of pricing, as well as issues such as price being often used as a tool for signaling and brand building.

(b) From a psychological perspective, why might Hi-Lo pricing be more attractive to consumers than Everyday Low Price (EDLP)?

A possible major idea is that consumers may enjoy the thrill of seeing a discount and benefitting from it. Further discussion can invoke the idea of reference-dependence – consumers always see prices in context, and a high price as reference point to contrast with a subsequent low price will make the latter look especially attractive.

(c) “Low-end retailers should use EDLP, mid-brow retailers should use Hi-Lo Pricing, but high-end retailers should never use any of these two strategies.” For each class of retailers in this statement, offer one reason in support of the statement, and one reason against it.

In support of the statement, it may be argued that low-end retailers typically tend to foster a low-price image (because they can hardly lay claim to high quality), and so a consistently low-price policy with some guarantee of quality, which is the essence of EDLP, would be useful. Mid-brow retailers rely less on a low-price image, but need to give signals about the quality of their products; an occasional high price could help signal high quality (as perceived by consumers) while subsequent discounts could entice purchase by reference-dependent effects. High-end retailers, however, might like to maintain a premium, prestigious image, and thus a consistent high price without EDLP or Hi-Lo Pricing would be necessary.

Against the statement, it could be suggested that low-end retailers precisely need Hi-Lo pricing to entice price sensitive consumers to buy when there is a discount (see answer to (b)). Mid-brow retailers, on the other hand, may benefit from EDLP by fostering an image of consistent good value for money through the strategy. Lastly, occasional discounts by high-end retailers could help attract aspiring consumer segments from outside of their usual customers, which could thus increase profitability as well as segments served.

- 3 (a) Explain the meaning of ‘area of vulnerability’ in the context of perceptual map analysis.

An area of vulnerability represents product positioning possibilities that have not yet been taken up by competitors but which should appeal to sizeable consumer segments. Examples include painkillers that are an advance in being both non-drowsy and effective, as well as, in the UK market in the early 2000s, cider that is of high quality but not too strong – a positioning that was later adopted by Magners.

- (b) “A new entrant to an industry should position its products away from the dominant incumbents’ products.” Offer one reason in support of this statement, and one reason against it.

In support of the statement, the reason could be that the new entrant would not have the brand reputation or cost advantage (due to scale and learning) enjoyed by the incumbents, and so would be crippled from the outset if competing with similar positioning as the dominant incumbents.

Against the statement, the reason could be that the new entrant can precisely leverage the popularity of the existing positioning of the incumbents’ products, as it must be a tried and tested positioning. What the new entrant needs is rather new dimensions of positioning, for example in terms of brand image, that can differentiate it from the incumbents.

- (c) ‘Amazon Lives’ is a (fictional) not-for-profit organisation dedicated to the preservation of wildlife along the Amazon River. In recent years the organisation’s funding support has dwindled continuously. Although existing support is still sufficient to keep the organisation in good financial health, there are views in the organisation that it should become financially more independent. Therefore the organisation (which has never run any revenue-generating business) is considering selling merchandise that leverages its high international brand reputation. Examples of merchandise that have been discussed in staff meetings include cuddly toys of Amazon animals as well as camping equipment. Should Amazon Lives develop a merchandise business at all, and if yes, what type(s) of merchandise should it sell? Explain your answer.

First of all, it may be argued that Amazon Lives should not develop the business at all, because that would tarnish its brand image as a not-for-profit organisation in pursuit of a goal that is superior to commercial profit-making business. Such damage could lead to existing funding support dwindling even faster. Further discussion along this line could include the nature of strong brand image and customer loyalty (seeing that funding sources can be considered customers too).

Reasons in support of merchandise business could be that the organisation is under threat of continuous dwindling of funding support, and the future would be less uncertain if the organisation creates a steady income stream independently. From there, the discussion could proceed in the direction of what types of merchandise could fit well with the image of the brand. For example, cuddly toys could reflect the humanity and warmth of the brand personality, while camping equipment could reflect the wildlife aspect of the brand image.