

3E2 MARKETING – CRIB 2017

- 1 (a) “Marketing is about connecting with customers.” Discuss this statement.

A good answer could focus on pointing out that a firm achieves long-term competitive advantage by being able to tap into customer needs and building loyal customer relationships. To achieve this, it is important for the firm to connect with customers; as such, marketing fulfills such functions for a firm.

Excellent answers could include further elaborations such as a brief outline of the marketing strategy framework (5Cs, STP, 4Ps) and how it relates to connecting with customers. But a detailed description of the framework is not necessary.

- (b) “Manufacturers of luxury fashion brands should not sell their products directly online.” Explain one reason in support of this statement, and one reason against it.

A possible point in support is:

- *The building of a luxury fashion brand often has to do with elements over and above the brand products themselves. For example, it may often rely on customer experience of the selling environment and service – the “bells and whistles” at the shopping stage and during the transaction. Online retail cannot provide such experience; in fact its very nature of convenient shopping anywhere may lead to a purchase experience that contradicts the luxury brand image.*

A possible point against is:

- *Selling products online typically reduces transaction costs on both the supply and demand sides, and from this perspective could potentially increase profits and sales. Brand image may still be maintained via a well-designed website.*

- (c) When online retail was emerging as a rising trend in the early 2000s, it was predicted that the convenience of Internet shopping would intensify competition and drive down the prices of the same product among different online retailers to a homogeneously low level. As it turns out, even nowadays, online prices of the same product could still vary considerably across different online retailers. Explain why this is the case.

Some possible points are:

- *Different retailers may have different levels of credibility regarding safe and secure transaction. Those with high credibility may be able to command higher prices.*
- *Different retailers may have different delivery service and product return/refund policies, which may lead to some retailers being able to command higher prices than others.*

- *Individual retailers might have their own brand reputation and brand equity, and might be therefore be able to command higher prices for some or all of their products.*
- *Online retailers based in different countries may be under different jurisdiction and regulatory controls. Thus consumers may be under better protection when shopping from retailers based in their own country. Retailers that are aware of this fact might become focused on consumers in the country in which they are based. As a result there could be geographical price differences among online retailers, even though the Internet is in principle transnational.*
- *Consumers still perceive search costs during Internet shopping and it cannot be assumed that they will search for the best offers exhaustively. In that sense, the market is still not perfectly competitive to completely level out prices.*
- *Different retailers could use different pricing strategies to sell their products with applications of different price discrimination and/or psychological pricing techniques*

Excellent answers should be able to articulate the points fluently, possibly with relevant examples.

- 2 (a) With reference to the major course reading “Judo strategy: 10 techniques for beating a stronger opponent” (Yoffie and Kwak, 2002, *Business Strategy Review*), briefly describe three of the techniques of judo strategy.

The techniques are as discussed in the reading. An excellent answer should be able to concisely introduce the technique, possibly with an illustrative example that can be real or hypothetical.

- (b) “Judo strategy cannot help a firm achieve long-term competitive advantage.” Discuss this statement.

A possible general point is that judo strategy techniques may buy time for weak player in an industry in the face of strong players. The techniques of the strategy may help the weak player to survive, or even take advantage of the strong players, for now. However, beyond short-term survival, the firm would still need to cultivate robust competitiveness, such as brand reputation, in order to succeed in the long run. For example, a firm may use the ‘puppy dog ploy’ when it is still weak and small, but if the ploy succeeds, the firm would inevitably grow so much that it becomes incapable of keeping itself under the radar and away from the competitive attention of strong players. Judo strategy may help address issues at this stage to some extent (e.g., the ‘follow-through fast’ technique) but solid competitive advantages will be increasingly essential.

- (c) Discuss how a firm with a low-quality product might be able to maintain long-term competitive advantage over competitors with products of higher quality.

A possible point is that, if the market has a strong network effect, there could be a serious tipping point juncture in its early development, so that a low-quality product that enters the market early might be able to capture enough early adopters to build a strong network effect that fortifies itself against later entrants with arguably higher quality (controlling for the network effect).

Another possible point is that, if the firm of the low-quality product manages to build up a strong brand image, such as through an effective promotion strategy, its product might still be able to have a long-term competitive advantage over higher-quality products.

Excellent answers to this part (and part (b)) could invoke competitive strategy frameworks discussed during the course to illustrate and organise ideas.

- 3 (a) With reference to the major course reading “Brand custodianship: A new primer for senior managers” (Capon et al., 2001, *European Management Journal*), describe the differences between customer brand equity and organisational brand equity.

The differences are as discussed in the reading (p. 218). An excellent answer should be concise and clear, possibly with the help of an illustrative example that can be real or hypothetical.

- (b) Which type(s) of customer needs in Maslow’s Hierarchy might the presence of a brand name satisfy during product purchase? Explain your answer.

Excellent answers should involve clear elaboration of points like the following, possibly with illustrative examples.

- *Safety needs: a brand name could be a guarantee of quality and reliability, which could help address safety needs especially for important durable products. If the product can be potentially re-sold, a brand name might be a guarantee of a reasonable reselling price in the future, and so the purchase could help satisfy the safety needs for buyer’s financial security.*
- *Social needs: if many of the buyer’s peers like a certain brand, the purchase of the same brand could help satisfy the buyer’s social needs.*
- *Esteem needs: if many of the buyer’s peers look up on the possession of the products of a certain brand as a sign of status for the owner, then the purchase of that brand could help satisfy the buyer’s esteem needs.*

- *Self-actualisation needs: if a brand image evokes attributes such as self-improvement, attainment of personal potentials, etc., or has attributes that resonate with the buyer's self-image of what he/she would like to become, then the purchase of that brand could help satisfy the buyer's self-actualisation needs.*

(c) Discuss whether discount supermarkets, such as Aldi or Lidl, should devote major resources to the pursuit of a branding strategy.

Some possible points are:

- *For: discount supermarkets should not only rely on price as the sole competitive advantage in the long run. According to frameworks such as value disciplines, a firm should maintain reasonably good competitiveness on all dimensions (and excel in at least one). Thus a branding strategy would be important for robust competitiveness.*
- *For: a distinctive brand image could serve as an efficient marketing communication tool, including the communication of low prices. Thus a branding strategy could in the end contribute significantly to long-term customer awareness of the supermarkets.*
- *Against: these supermarkets are already competing on low margins in order to maintain low prices against more premium competitors. It could be financially precarious to devote major resources to a branding strategy.*
- *Against: if these supermarkets pursue a branding strategy involving costly marketing communications, while still keeping prices low, consumers may infer that the supermarkets must have been compromising on product quality in order to keep costs low and squeeze out resources for the branding strategy. Discount supermarkets already have a common image of providing only passable quality, so such moves could be significantly damaging to consumer confidence.*

It is not necessary to make a stand for or against the claim, but excellent answers should be able to articulate the issues fluently, possibly with conceptual frameworks discussed during the course.