

3E2 MARKETING (Omar Merlo) – CRIBS

1 (a) The Consumer Adoption Curve and the Product Life Cycle models are powerful marketing concepts. Explain the models, their advantages and limitations, and the links between them.

(b) Explain how an organisation's promotion and pricing strategies may change over the life of a product.

A good answer will discuss both models in detail. It will consider their assumptions, their strengths and limitations, and importantly, the strategic implications for marketing. Excellent answers will provide some depth. They may discuss issues such as the fact that industry profits start to decline while industry sales are still rising. Or that the PLC describes industry sales and profits for a product within a particular market, and that the sales and profits of an individual product or brand may not follow the typical life cycle pattern. In discussing the links between the two models, students should look at the consumer adoption curve model as one of the driving forces behind the PLC. A product's lifecycle curve is affected by numerous factors; two of the most important factors are competition and consumer behaviour. Within the area of consumer behaviour, the rate at which products are adopted in the market will have a significant impact on the speed with which products proceed from one stage of development to the other. A good answer will discuss a number of implications, such as why companies may want to experience a short introductory stage and reap the benefits of a prolonged growth stage; or why it is often crucial for businesses to focus on innovators first (here excellent answers may even discuss concepts such as opinion leadership and referent groups). One of the key implications of the PLC is that the product's marketing mix should vary according to the stage of its lifecycle. A good answer will consider changes to the promotion and pricing elements of the marketing mix in each stage of the PLC.

2 (a) Discuss the concept of superior perceived customer value.

(b) Explain the implications of this concept for an organisation wishing to manage the distribution and product (including branding) elements of the marketing mix.

Students should discuss the concept of customer value in terms of a tradeoff between benefits and price, where both benefits and price can be either tangible or intangible. A good answer will argue that it is not enough for organisations to create value; this value also needs to be communicated and perceived by customers to be superior to that offered by competitors. This suggests that business have a number of choices in order to compete effectively. They can for example increase the perceived relative benefits of their offerings, e.g., through tangibles such as product features, or intangibles such as a strong brand. Alternatively, they may reduce the perceived price of their offerings, e.g., by reducing the monetary price itself, or by manipulating other elements of perceived price, such as the cognitive effort or the time spent in the purchase decision. Implications for product management and distribution should be discussed and good answers might even provide some basic examples of these mechanisms (e.g., companies that have employed intensive distribution or that have invested in brand building to reduce perceived price and increase perceived benefits).

3 (a) Discuss the consumer behaviour processes involved in the purchase of a new laptop computer for yourself. Consider the entire decision making process.

(b) What are the key implications of this process for a laptop manufacturer wishing to develop a marketing mix for their product?

Students are required to discuss the consumer behaviour model and apply it to a hypothetical shopping situation. Their answer should discuss the main steps of need recognition, prepurchase search, evaluation of alternatives, purchase and post purchase behaviour, and how the student would proceed through these steps in his or her purchase of a computer. Excellent answers may also consider external influences such as the sociocultural

environment, the purchase situation and the firm's marketing efforts. Implications for manufacturers should be discussed in terms of the impact that each stage of the decision making process has on a firm's marketing mix. For example, how can a computer manufacturer reduce the time a consumer spends comparing alternatives? And how can it ensure that its product is chosen over an alternative product? Excellent answers may use real-life examples.

4 (a) Businesses are increasingly using loyalty programmes as a competitive weapon. Discuss why this is occurring and critically appraise the use of loyalty programmes.

(b) Explain why some groups of consumers may be more appropriate than others as targets for relationship marketing.

A good answer should discuss the economic benefits of loyalty programs. Loyal customers are assets of increasing value: they buy more, they are less costly to serve, and they bring in new customers. Students should explain why winning new customers is typically more difficult and costly than retaining existing ones, and excellent answers may mention specific research findings. These include studies suggesting that it is 6 times more costly to win a new customer than to keep an existing one. A good answer will discuss both growth and operating margins effects of loyalty, and their impact on the value of the business. Concepts such as customer retention rate, customer lifetime value, and sources of profitability (e.g., revenue growth, operating costs, referrals and price premium) should be discussed. An excellent answer should take a critical stance, and might even argue, for example, that in light of the fact that the link between customer satisfaction and loyalty is not linear (i.e., marginal increases in customer satisfaction will not necessarily be associated with increased customer loyalty) the costs of 'delighting' customers in order to maximise their loyalty might be prohibitive. Hence, some might argue that in some cases the costs involved in maintaining a loyal customer base mean that loyalty programs may be a zero-sum game, where benefits and costs outweigh each other. Students should discuss the features of successful loyalty programs and the circumstances in which they are likely to be effective. A good answer will explain why loyalty programs are not for everyone, since some customers are simply not interested in a long-term relationship with an organisation.