

3E2 EXAM 2007, CRIBS

1 (a) Evidence suggests that today's top companies are market oriented. What does a Market Orientation involve?

[60 %]

Students should discuss the concept in terms of a culture or philosophy of doing business based on the marketing concept and its three pillars (customer orientation, integration and profits). A market orientation specifically involves a process of intelligence generation, dissemination and responsiveness. Specific means through which these activities are carried out might also be mentioned (e.g., means of data gathering, horizontal and vertical information sharing, development of a marketing mix). Factors that facilitate a market orientation include a set of top management factors, interdepartmental factors, and organisational systems. Excellent answers will touch on these issues in depth, and might also mention the work of Kohli and Jaworski and Narver and Slater in the 1990s.

(b) What are the key outcomes of being market oriented for an organisation?

[40 %]

There are four key outcomes that should be discussed by students: (1) organizational performance consequences, (2) customer consequences, (3) innovation consequences, and (4) employee consequences. Good answers will explore these in some detail and might even discuss evidence regarding the moderating role of various environmental factors (e.g., competitive intensity etc.) on the link between market orientation and its outcomes.

2 (a) Explain the key elements of Promotion – one of the 4 Ps of the marketing mix – that a company should consider in developing its communication strategy.

[50 %]

Students should discuss the key steps involved in the development of a promotion strategy, namely: understanding the market, setting communication objectives, design the message, determine the budget, allocate and integrate across the mix, and measure effectiveness. Particular attention should be paid to the different element of a communication mix (e.g., advertising, sales promotion, personal selling, etc.) and the circumstances under which each is more appropriate.

(b) Discuss how promotion can help create and sustain shareholder value.

[50 %]

Students should explain in some detail how communication investments will affect

the level, speed, riskiness and duration of cash flows. They might do this by reference to issues of sales growth, price premium, brand loyalty and faster market penetration.

3 (a) Why are brands important? In your answer, focus primarily on how brands create customer value by reference to the customer value concept and the consumer behaviour model.

[100 %]

A brand is the embodiment of a product's positioning strategy. The most important thing about successful brands is that they differentiate, and in doing so, erect powerful barriers to imitation (specific blind tests could be discussed by students in support of this point). As a consequence, strong brands can have a positive effect on the customer value equation which states that value equals benefits over price. This positive effect may take the form of increased perceived benefits, but also decreased perceived price. In fact, a second important issue is that brands reduce perceived risk, especially when goods and services are high in experience and credence qualities and low in search qualities, or where complex purchase criteria are used. Students could go through the consumer behaviour model and show the steps of the decision making process where brands are particularly useful (such as pre-purchase search, evaluation of alternatives, the development of a routine response behaviour, etc.)

4 (a) According to the value-based view of marketing, the broad objective of a business is to maximize shareholder value. To achieve this, clear guidelines are required, in the form of actionable objectives. Explain these objectives and the circumstances under which each might be most suitable.

[60%]

Although maximising shareholder value is a common objective for all firms, there are different ways in which this may be achieved. Some businesses (e.g., amazon.com a few years ago) may be seen as very valuable even though profits are not expected for a long time. The appropriate objective is thus sales growth in the long-run. In other businesses (e.g., mature or declining products such as audio tapes) shareholder value creation may be achieved by focusing on maximising short-term cash flow while letting the business decline. The five specific strategic objectives that students should discuss are Enter, Grow, Divest, Harvest, Maintain. The appropriateness of each objective should be discussed based on two factors: the market attractiveness and the differential position of the business.

(b) Linked to strategic objectives is the concept of Strategic Focus. Explain this concept, using specific examples when possible.

[40%]

Once that strategic objective of a business has been determined, managers need to set the marketing direction for achieving that objective. Shareholder value may be created in two ways: by increasing sales volume, or by improving productivity. The primary focus will depend on the strategic objective: sales volume is associated with Enter and Grow strategies, while productivity is associated with Maintain, Harvest or Divest objectives. Examples of volume strategies include market expansion and market penetration, while productivity strategies involve sales mix enhancement, price increases and cost cutting efforts. Specific examples should be used to discuss each of these approaches (e.g., market expansion through conversion of non-users, increasing usage rate or segment invasion, etc.).