

3E2 CRIBS 2008

1 (a) The marketing manager for a UK-based company was recently quoted in the press as saying: "Loyalty programmes are always safe investments". Critically appraise and discuss this statement.

In appraising this statement students should cover both the benefits and problems associated with loyalty programmes. In particular, most of the following topics should be covered:

- *The rationale behind relationship marketing*
- *The growth and operating margins effects of loyalty*
- *Sources of cash flow over a customer's lifetime*
- *The pareto-type view of customer profitability*
- *Costs and benefits associated with increasing CLV*
- *Costs and benefits associated with the launch of a loyalty scheme, and how rewards can backfire*

2 (a) You have just been appointed Marketing Manager of a medium-size management consulting firm. You have been asked to make a presentation to all consultants about how to improve the firm's service delivery. Based on your knowledge of services marketing, what would you discuss in your presentation?

A good answer will consider services marketing theory in some depth, and cover most of the following issues:

- *The four peculiarities of services*
- *The concept of the 'moment of truth', and its implications*
- *The expanded marketing mix*
- *The 5 dimensions of service quality*

(b) One of the firm's consultants wants to know why strong brands are often argued to be important assets, and how developing the firm's brand could help the business. How would you answer the consultant's question?

Students should discuss the benefits of brands. 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. As a consequence, strong brands can have a positive effect on the customer value equation. Brands also reduce perceived risk, especially for a services firm, where the product is high in experience and credence qualities and low in search qualities, and where complex purchase criteria are used.

3 (a) What is Value-Based Marketing, what does it involve, and why was it advocated?

Value-based marketing is the process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a differential advantage. It was

advocated in response to concerns that marketing lacks influence within the firm, to provide a language for integrating marketing with other functions, and to demonstrate that marketing investments contribute to value creation. To create shareholder value, companies need to manage three key value drivers: financial, marketing and organisational drivers. These should be discussed in some detail. Also, a good answer will deal with the three main aspects of VBM (managing customer needs, building a differential advantage, and forming relationships with valued customers). Excellent answers may also discuss the value-based planning process and how to select the correct strategy for shareholder value creation.

(b) Do you think that the concept of value-based marketing is consistent with the more traditional view of marketing based on the Marketing Concept? Why or why not?

This is an open question, but in general students should discuss the idea that organizations have to balance the interest of multiple stakeholders, such as customers, employees, society, investors, etc. The more traditional view of marketing based on the Marketing Concept puts the interests of customers at the top of the agenda, while VBM prioritises the needs of investors. A key argument here is that while the interests of these parties may diverge in the short term, they do tend to converge in the long term. In the end, it is difficult to create long-term value for shareholders without doing the same for customers.

4 TekBook is a new bookshop in Cambridge, offering a selection of academic, specialist and technical books from one central city location. TekBook's target market consists primarily of Cambridge University students. The owners of TekBook want you to help them with the marketing strategy, and have asked you to deal with the following questions:

(a) What are the consumer behaviour processes involved in the purchase of TekBook's products? Make sure you consider the entire consumer behaviour model.

Students are required to discuss the consumer behaviour model and apply it to the 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 a customer would proceed through these steps in his or her purchase of a book from the bookshop. Answers should also consider external factors such as the sociocultural environment, the purchase situation and the firm's marketing efforts, and the internal psychological elements of the model.

(b) Based on your discussion of the target market's consumer behaviour, what marketing mix (product, place, promotion and price) would you recommend for the bookshop and why?

This is an open question that requires students to apply marketing concepts in a creative way. The strategic implications for the bookshop should be discussed in terms of the impact that each stage of the decision making process has on the business's marketing mix. For example, how can the bookshop reduce the time a consumer spends comparing alternatives? And how can it ensure that the bookshop is chosen over an alternative retailer? Good answers will draw from some key marketing concepts covered in the

course pertaining to the management of the product, pricing, distribution and promotion elements of the marketing mix.

