



MARKETING – 2005 PILOT

Important Notice

When reading these suggested answers, please note that the answers are intended as an indication of what is required rather than a definitive “right” answer. In many cases there are several possible answers / approaches to a question. Be aware also that the length of the suggested answers given here may be somewhat exaggerated from what might be achieved in the reality of an unseen, time constrained examination.

This examination paper consists of TWO sections. Section A is compulsory and carries 25. Candidates are required to attempt THREE questions from Section B, all of which carry 25 marks each.

Time allowed: 3 hours

SECTION A – COMPULSORY

You should allow yourself approximately 45 minutes in total to answer the questions in Section A.

Answer all parts of question 1 (2 marks for each part), and all parts of question 2 (3 marks for each part).

1.

- a) Give two reasons to account for the growth of consumerism. (2 marks)**

Suggested answer:

Better education;
More information – consumer magazines, programmes on T.V. etc;
More competition / more choice for consumers.

- b) In the Ansoff matrix, state which is the least risky strategy and which is the most risky strategy. (2 marks)**

Suggested answer:

Least risky - market penetration / existing markets, existing product.
Most risky – diversification / new products / new markets.

- c) Market segments should be accessible and viable. Explain what this means. (2 marks)**

Suggested answer:

Accessible – able to be reached via promotional methods.
Viable – large enough to be capable of generating a profit.

d) What are the 7Ps? (2 marks)

Suggested answer:

Product, price, promotion, place, people, physical evidence, process management.

e) What is the difference between intensive and exclusive distribution? (2 marks)

Suggested answer:

Intensive distribution makes the product available in as many locations as possible (e.g. cigarettes).

Exclusive distribution limits availability to certain locations, often to enhance a prestigious image (e.g. Cartier watch). (Total: 10 marks)

2.

a) Give three examples of differences that may apply to the marketing of public service organisations compared to those in the private sector. (3 marks)

Suggested answer:

More accountability (tax payers money!);

More transparency, particularly of money spent e.g. on advertising;

Often higher expectations of ethical behaviour.

b) State what the letters of the acronym SMART represent and amend the following objective to make it SMART – 'The company aims to achieve a higher profit'. (3 marks)

Suggested answer:

Specific, Measurable, Achievable / Attainable, Realistic, Timely.

'The company aims to make £x profit by the end of the next x months'

Reference to specific amount of profit.

Reference to specific timescale.

c) What is meant by secondary data and give two disadvantages of this type of data. (3 marks)

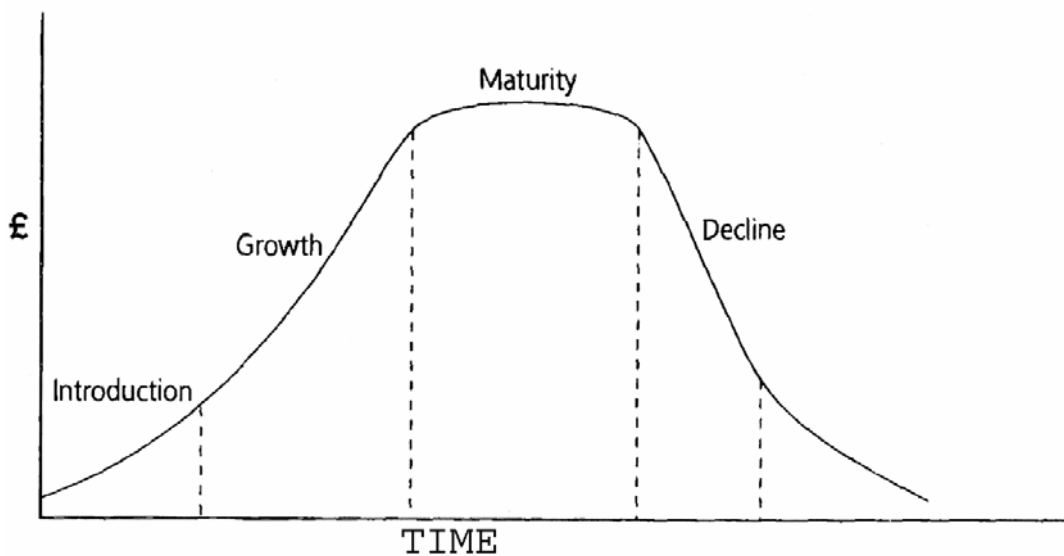
Suggested answer:

Data that is 'second hand' / already gathered for another purpose.

Disadvantages – often out-of-date / old; is unlikely to give you all the information you need as it was gathered for another purpose; may have been gathered by someone with an axe to grind / biased.

- d) Draw a graph and label it to show the 4 main stages of a typical product life cycle. (3 marks)

Suggested answer:



Graph is the correct shape.
All four stages identified.
Axes correctly labelled.

- e) Give three reasons why branding is important to an organisation. (3 marks)

Suggested answer:

Acts as a guarantee to customers of quality.
Helps to differentiate from other similar products / services on the market.
Enables a premium price to be charged. (Total: 15 marks)

SECTION B

Questions 3 to 7 are based on the pre-seen case study

PERDITA HOTELS

Perdita is a luxury hotel chain that was founded 49 years ago and now has branches worldwide catering for both tourists and business customers. The balance of business customers and tourists in any particular hotel is determined largely by the location of the hotel and whether it is a weekday or weekend stay. For example, hotels in and around major cities usually have a mix of business customers and tourists on weekdays and almost all tourists at weekends, whereas those in beach resorts cater almost exclusively for tourists. Tourists attracted to the hotel chain are predominantly independent travellers in the 40+ age group with above-average incomes, although Perdita does take bookings of small groups from some of the more prestigious tour operators. The hotel group has a core of loyal tourist and business customers who use their hotels as their preferred choice.

Perdita operates in a very competitive market, but in several countries is the market leader. It feels it owes its success largely to its unique selling point (USP), which is that each hotel has its own individual character within the framework of an overall excellent level of service and quality. All hotels have a leisure complex consisting of an indoor swimming pool (and an outdoor pool in locations where this is appropriate) saunas, steam rooms and fitness centre, together with beauty and pampering rooms. These are for the exclusive use of hotel guests. The restaurants in the hotels are often regarded as among the best in the area and are open to non-residents. Three restaurants in the hotel chain have been featured in a 'Best Hotel Restaurants in the World' guide and Perdita has been able to make good use of this in their promotional material.

Because Perdita is a luxury hotel chain, it is sensitive to criticism that it may be wasteful of resources and is concerned to promote an image of social responsibility. This has also been identified by independent marketing research as being of increasing importance, particularly to the type of tourists attracted to the hotel chain. In addition, Perdita has opened several hotels in less developed countries such as the Dominican Republic and has encountered some resistance from the local population to what they regard as a foreign hotel chain spoiling the landscape and changing the way of life of local people.

Like all successful businesses, Perdita isn't complacent and is always seeking to develop new products and possibly diversify into other areas. One of the Managing Directors has suggested Perdita should consider launching its own credit card. He feels this may attract new customers and encourage current hotel customers to stay loyal to Perdita as they will earn bonus points every time they use the card and the points can then be redeemed. Examples of benefits would include free nights at a hotel of their choice within the group (subject to availability) room upgrade or complimentary wine with a hotel meal.

Perdita celebrates its 50th anniversary next year. The Board of Directors is determined that the next 50 years should continue the success of the first 50, knowing that it can only achieve this by planning and continuing to build on its strengths, address any weaknesses or threats and take advantage of any opportunities.

Section B - Questions

Answer THREE questions from the five in Section B. You should allow yourself approximately 45 minutes to answer each of the questions in this section. Each question is worth 25 marks.

3.

- a) **Outline the main differences between product, sales and marketing orientations and explain which approach is appropriate for the hotel chain, giving reasons for your choice.** (10 marks)

Suggested answer:

Product orientation – focus on the quality of the product with the assumption that it will meet customer needs.

Sales orientation – focus on selling methods with the view that the business needs to aggressively promote its product / service to be successful.

Marketing orientation – focus on the needs and wants of customers so that products / services are developed to meet these needs.

Appropriate choice for the hotel is a marketing orientation.

Reasons - should result in more sales / profit because of better identification of customer needs / wants; identification / targeting of different market segments; will be responsive to changes in consumer tastes (because of marketing research); operating in highly competitive market.

- b) Explain what you understand by the term “social responsibility” in relation to the hotel chain and give examples of how Perdita could demonstrate its social responsibility in less developed countries, giving reasons for your choices. (15 marks)**

Suggested answer:

Social responsibility in relation to the hotel chain could include:

- General 'duty' to conduct its activities with regard to society as a whole;
- Not damaging the environment (buildings / infrastructure);
- Saving energy;
- Recycling;
- Supporting charities / voluntary organisations;
- Providing services for employees such as health checks.

Examples for less developed countries could include:

- Employing local people wherever possible in the hotel;
- Sourcing local produce / materials where possible;
- Saving energy (e.g. use of solar panels, timed light switches, hotel towels replaced on request rather than automatically each day);
- Building the hotel in keeping with its surroundings;
- Respecting local traditions / customs / holidays;
- Sponsoring local community activities.

Reasons will depend on the examples chosen, but could include:

- Helping the local economy (supplying jobs, sourcing local produce / materials);
 - Demonstrating Perdita's wish not to waste precious resources;
 - Building positive relationships with the local community, which will help give the hotel its own 'character'.
- (Total: 25 marks)*

4.

- a) Explain each of the main steps in the marketing planning process that Perdita needs to carry out in order to remain successful. (15 marks)**

Suggested answer:

The main steps in the marketing planning process should include:

- Setting marketing plan in the context of the organisational goals and corporate strategies.
- Marketing audit (situational / environmental analysis);

- SWOT analysis;
- Setting marketing objectives;
- Developing product / market strategies and marketing mix strategies to meet these objectives and tactics (e.g. in response to competitor activity);
- Control / Review.

The remaining marks will come from elaboration and explanation of the steps, in particular:

- The need to establish their current position (mention of the need for both an internal and external marketing audit; a SWOT analysis based on this identifying the major strengths / weaknesses within the organisation and the opportunities / threats from outside);
- The importance of setting objectives in order to define what they want to achieve (explanation of SMART – specific, measurable, achievable, realistic and time-based; mention that plans cannot be properly measured without SMART objectives); marketing plans must fit with organisational goals and corporate strategies;
- The importance of developing suitable strategies to meet these objectives (use of Ansoff matrix to determine product / market strategies and an appropriate marketing mix to reach the objectives set); tactics are usually short-term in relation to competitor activity and could include special offers such as three nights for the price of two.
- The importance of controlling and reviewing the plan not only at the end, but throughout the cycle to monitor progress and make changes where necessary.

b) Describe each of Porter's 3 generic strategies and discuss which of these strategies Perdita appears to have adopted. (10 marks)

Suggested answer:

Porter's 3 generic strategies:

Cost leadership – concentration on achieving the lowest costs, giving a company the capability of setting its prices at a lower level than its competitors;

Differentiation – concentration on making a company's product / service different from that of its competitors;

Focus – concentration on designing a product / service for a small segment of the market (niche);

Perdita should be identified as having a differentiated strategy.

Discussion could include reasons such as:

- Making itself different from competitors by its brand image of quality;
- USP of hotels with individual character;
- Constantly seeking to develop new products / services to meet customer needs.

(Total: 25 marks)

5.

- a) **Describe the current customers of Perdita Hotels with reference to the four main bases of market segmentation.** *(10 marks)*

Suggested answer:

4 main bases of segmentation should be identified as:

- Demographic –(concerned with population characteristics e.g. age, sex, income etc);
- Geographic;
- Lifestyle (attitudes, opinions, interests) / psychographic (personality);
- Benefit / behavioural.

Demographic – Perdita tourist customers are 40+ with above average incomes.

Geographic – The hotel chain is world wide, but the case study doesn't give specific information on the geographic profile of customers. However, the location of a hotel (beach v city) is likely to influence the type of customer (tourist v business).

Lifestyle / psychographic – Tourists are mainly independent travellers and appreciate the excellent facilities / restaurants. They are also concerned about social responsibility. This type of segmentation is unlikely to be useful in segmenting the business market.

Benefit / behavioural – The case study refers to a loyal core of tourist and business customers, which is a behavioural characteristic. Benefit segmentation could apply to both business and tourist customers who would both appreciate the luxury and excellent level of service and individual character of the hotels.

- b) **Explain what is meant by “marketing intelligence” and how Perdita could make use of “marketing intelligence” to determine whether to launch its own credit card.** *(15 marks)*

Suggested answer:

The explanation of marketing intelligence should show breadth of understanding by mentioning the 3 main areas where information can be obtained i.e. from within the organisation; secondary research; primary research.

For each of the 3 areas mentioned above, there should be examples of appropriate intelligence that could be used in determining whether Perdita should launch its own credit card and there should be comment on any major advantages / disadvantages.

From within the organization – use of customer database / hotel records to give an accurate profile of current customers and their usage of Perdita hotels; views of hotel managers on the likely take-up of the card benefits.

Comment that the type of information, accuracy and ease of collection depends on how records are kept and the type of systems used.

Secondary research – this could include published information or articles on the use of credit cards by similar types of organisation; Mintel (or similar market research reports that could be purchased by Perdita).

Comment on such information is usually relatively cheap to obtain, but may be rather out of date, may give insight into competitor activity, but possibly too general for any real use to Perdita.

Primary research – as this is information gathered for a specific purpose, it could include commissioning a survey by an independent market research company or the use of focus groups to determine views of Perdita customers on the proposed points scheme. This could give a very useful insight into attitudes and opinions of current customers on the topic, but attitudes and opinions don't always translate into action! Primary research is the most costly of the three. *(Total: 25 marks)*

6.

- a) **Briefly describe the main stages in new product development in relation to Perdita Hotels.** *(10 marks)*

Suggested answer:

The main stages in new product development should be identified as:

- Idea generation (from both internal and external sources);
- Idea screening (rating ideas against criteria important to the company);
- Business and market screening (more rigorous screening including financial analysis concept and product testing);
- Test marketing in representative area(s) to iron out any problems before full-scale launch.

In relating new product development to Perdita Hotels, suitable comments could include:

- Ideas could come from hotel staff or feedback from customer surveys or complaints;
- For services such as the proposed new credit card, there is opportunity to test the concept on a representative group of Perdita customers;
- Rigorous financial and market screening would be particularly important for the development of a new hotel as there would be no opportunity to test market!

- b) **Identify and explain the factors that will determine the price of a room in a new Perdita Hotel.** *(15 marks)*

Suggested answer:

Factors that will determine the price of a room in a new Perdita Hotel could include:

- Demand (e.g. time of year/ weekday v weekend);
- Location of the hotel;
- Strength of competition from other hotels in the area;
- Size, position, amenities in the room (and the hotel);

- Staff and other associated costs;
- Last minute booking to fill an otherwise empty room;
- Customer expectation of price;
- Image of Perdita Hotels in general.

For example: demand identified as a factor.

Further elaboration e.g. mentioning how price can be affected by demand at different times of the year; weekday v weekend; how the hotel should have a pricing policy to maximise room occupancy throughout the year; how price reduction can be used to fill an otherwise empty room; how outside factors such as a major international event nearby could increase demand for rooms and enable the hotel to charge a premium price. *(Total: 25 marks)*

7. Perdita is building a hotel in a developing country where it has not operated before.

- a) Outline the communications process model and explain how this could help Perdita to communicate effectively with the local population who may feel rather hostile towards a foreign hotel chain. *(15 marks)***

Suggested answer:

The communications process model (which could be in the form of a labelled diagram) should include sender (source of the message) encoding the message, the medium by which the message is conveyed, decoding the message, the receiver and 'noise' which can affect the message.

Ways in which the model could help Perdita communicate effectively with the local population could include:

Does the local population know the name Perdita and if so what is their image of Perdita? Is it considered positively or negatively?

What is the tone and content of the message going to be?

What medium will be used to convey the message?

What problems could there be in how the message is interpreted by local people (possible language / cultural barriers).

To communicate effectively Perdita should:

- Ensure the tone of the message is reassuring;
- Check the content of the message carefully for possible language / cultural barriers;
- Choose a medium suitable for the message (possibly some type of meeting as it is usually easier to reassure people face to face);
- Try to eliminate any obvious 'noise' e.g. don't call the meeting on a day / at a time when other things are going on in the local community.

Discussion of the possible problems of interpretation of messages due to cultural and / or language barriers.

Other appropriate points.

- b) Discuss the criteria you would use to determine the methods of promotion for the prospective customers of this new hotel. (10 marks)**

Suggested answer:

There are a number of criteria that could be mentioned, but the most important is the profile of prospective customers.

Where is the new hotel to be located? (city / beach / country) The location will determine to a large extent whether customers are mainly tourist or business, which is important as they require different forms of promotion.

Other criteria include:

- Cost of promotional methods (should mention cost effectiveness e.g. cost per 1000 for different magazines where Perdita might advertise);
- Current methods being used by Perdita to market its other hotels (should mention the importance of consistency and where the prospective customers currently get their information);
- How easy it is to measure the success of the promotional method (e.g. a coded coupon with a special offer);
- The type of message (e.g. a largely informative message may require a brochure / leaflet).

(Total: 25 marks)