higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

MARKETING MANAGEMENT N6

5 JUNE 2013

This marking guideline consists of 14 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 Differentiation strategy.✓
The differentiation strategy can be used to distinguish essentially identical products, so that they will be regarded and accepted as separate products by the target market. ✓✓

The enterprise must be able to demonstrate the superiority of its product to the products of other competitors in the industry, and must be able to justify the price difference. (3)

1.2 Divestment.✓ (1)

1.3

Market Growth Rate	Relative Market Share: High	Relative Market Share: Low
High	Corn Flakes (Star)	Nutri-Grain (Problem child)
Low	Rice Krispies (Cash cow)	Special K (Dog)

Any classification of Kellogg's six products acceptable. (10)

1.4 1.4.1 *Decline* refers to a phase in the product life cycle where the sales of such a product start to drop after having reached the highest point possible. ✓✓ (2)

1.4.2 Maintenance strategies ✓
Harvest strategies ✓
Divestment
(Any 2 × 1) (2)

1.5 **Differentiation on the basis of product/service quality** ✓
Product quality goes hand in hand with performance, durability and reliability. ✓✓

The politeness, helpfulness and friendliness of the staff of a service organisation all serve as a measure to evaluate the quality of services.

Differentiation by distribution✓
New and unusual distribution channels ✓✓

Differentiation by marketing communication ✓
Creative promotional methods and messages are an ideal way of distinguishing a product from those of competitors ✓✓

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Differentiation based on consumer orientation ✓
An enterprise that intentionally strives to meet consumer needs, demands and preferences has already laid the basis for a strong and sustainable competitive advantage ✓✓ (4 × 3) (12)

1.6 1.6.1 Kellogg's decides to develop an effective and efficient way to buy wheat ✓✓

1.6.2 Kellogg's would want to establish the importance of reliability of farmers, quality of the product and price ✓✓

1.6.3 A product-value-analysis engineering team is assigned to the project to determine cost reduction methods whereby wheat can be procured cheaper ✓✓
The engineering team will decide on the optimal product characteristics like freshness.
Tightly written specifications like packaging will allow the buyer to refuse merchandise that fails to meet the specified standards.

1.6.4 Kellogg's tries to identify the most appropriate farmers by examining trade directories, doing a computer search, phoning other companies for recommendations, watching trade advertisements, and attending trade shows ✓✓

Suppliers who lack the required production capacity or suffer from a poor reputation will be rejected.

1.6.5 The buyer will now invite qualified suppliers to submit proposals ✓✓
Some suppliers will send only a catalogue or a sales representative

1.6.6 The buying centre at Kellogg's will specify desired farmer attributes like delivery times ✓✓
The buying centre at Kellogg's will rate farmers against listed attributes and identify the most attractive supplier.

1.6.7 The buyer now negotiates the final order with the chosen farmer(s), listing the technical specification, the quantity needed, the expected time of delivery, return policies and warranties ✓✓

1.6.8 Kellogg's may contact the end users and ask for their evaluations.✓✓
Kellogg's may rate the supplier on several criteria, consistent delivery times, using a weighted score method.
Kellogg's might aggregate the cost of poor performance review, which may lead Kellogg's to continue, modify, or drop the farmer.
(8 × 2) (16)

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1.7 1.7.1 This middleman buys the manufacturer's products and sells them abroad for his/her own account.✓✓ (2)

1.7.2 This agent seeks and negotiates foreign purchases and is paid a commission. Included in the group are trading companies.✓✓ (2)
[50]

TOTAL SECTION A: 50

SECTION B

Student must answer any THREE questions in this section.

QUESTION 2

2.1 2.1.1 Government ✓✓

OR

Government departments

2.1.2 Very large ✓✓

2.1.3 New task ✓✓

OR

Modified re-buy

2.1.4 Newly developed product – high-speed computer laptop.✓✓

2.1.5 Use printed media (business magazines, trade publications and industrial directories).✓✓
Direct marketing (direct mail, telemarketing, catalogues and data sheets) or some combination thereof.

2.1.6 Send sales people to government departments to demonstrate the high-speed computer laptop.✓✓
Sales personnel can further perform the following activities: deliver the product, selling within the firm, obtaining orders outside the firm and building the firm's goodwill.

2.1.7 Present exhibitions at trade shows.✓✓

2.1.8 Put a favourable talk on radio concerning the company's products and activities towards community upliftment. ✓✓

(8 × 2) (16)

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2.2 2.2.1 D ✓
2.2.2 E ✓
2.2.3 A ✓
2.2.4 B ✓
2.2.5 C ✓ (5 × 1) (5)

2.3 Executive summary✓
Analysis of the marketing situation✓
Mission, goals and the target market✓
Product portfolio planning✓
Alternative market strategies✓
Development of market mix strategies✓
Implementation✓
Control and evaluation✓ (8 × 1) (8)

2.4 2.4.1 Step 1: Determine the basic needs served by the product and the characteristics of the potential customer.✓

Step 2: Establish the manner in which these needs are currently being met. ✓

Step 3: Estimation of market potential ✓

Step 4: Elimination (Screening) ✓

Step 5: Ranking ✓

Step 6: Geographical clusters.✓

Step 7: Eliminate countries where trade or investment barriers prohibit profitable market entry. ✓

Step 8: Select the most suitable countries for further analysis, the development of entry strategy, and the formulation of a marketing plan.✓

(8 x 1) (8)

2.4.2 Step 1: Often the needs in a foreign country are similar to those in the home market, but sometimes a product may serve different functions abroad.✓✓
Potential consumers may be identified by age, income, tastes, style and quality preferences and lifestyles.✓✓

Step 2: Generally a firm will want to select relatively few countries for initial entry.✓✓
A successful penetration into these countries will facilitate expansion later.✓✓

(2 x 4) (8)

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2.5 Tariffs ✓
Quotas ✓
Export restrain agreements ✓
'Buy national' laws ✓
Agreements in which the multinational company agrees to transfer majority ownership to a local investor ✓
Agreements whereby the international company agrees to employ a certain percentage of local labour and management ✓
Subsidies for local enterprises, for example, low interest loans and tax concessions to make local enterprises more competitive ✓ (Any 5 × 1) (5)
[50]

QUESTION 3

3.1
3.1.1 False✓
3.1.2 True✓
3.1.3 True✓
3.1.4 True✓
3.1.5 False✓
3.1.6 True✓
3.1.7 True✓
3.1.8 False✓
3.1.9 True✓
3.1.10 False✓

(10 × 1) (10)

3.2 *People* refer to all human activities that play a part in the service delivery and thus influence the customers' perceptions.✓✓
The people who deliver a service to a customer, i.e. a firm's staff, are important because they provide cues to how the customer experiences the delivery of a service.✓✓
These people must be well-trained and highly motivated to act professionally at all times. This is the first step towards successfully implementing a service strategy.

Process refers to all activities, procedures and mechanisms involved in producing and delivering the service.✓✓
The actual delivery steps the customer experiences, or the operational flow of the service, provides customers with evidence on which to judge the service and allows the service marketer to plan the implementation process.✓✓
By asking the questions: 'who or what is the direct recipient of the service?' and 'what is the nature of the service act?', the service marketer can ensure that the delivery process is implemented properly.

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Physical evidence includes both the physical environment in which the service is delivered as well as all the tangible components that facilitate the performance or communication of the service.✓✓
The physical environment, in which the service is delivered, should be designed in such a way that service strategy implementation is effective and efficient.✓✓
The physical environment should adhere to certain minimum requirements in terms of hygiene, neatness and other criteria that are important in the evaluation of the service that is delivered.

Other service tangibles, like service equipment in a hair salon (hair dryer) or bank (computers) must also be in a good working condition to ensure effective and efficient implementation of a service strategy. (3 × 4) (12)

3.3 3.3.1 Many countries with otherwise attractive markets have accumulated huge foreign debts of which they cannot even pay the interest.✓✓

3.3.2 High indebtedness, high inflation, and high unemployment in several countries have resulted in highly unstable governments.✓✓

3.3.3 High indebtedness and economic and political instability force a country's currency to fluctuate or depreciate.✓✓

3.3.4 Officials in several countries require bribes to cooperate. They award business to the highest briber rather than the lowest bidder✓✓

3.3.5 A company locating its plant abroad worries about foreign managers learning how to make its product and breaking away to compete openly.✓✓

(5 × 2) (10)

3.4 3.4.1 The enterprise strength depends on the following variables:
Market share.✓
Profitability.✓
Technology.✓
Product quality.✓
Resources.
Knowledge of the market.

(Any 4 × 1) (4)

The market-attractiveness consists of the following variables:
Market segment.✓
Market growth rate.✓
Profit margin.✓
Competitors.✓
Economic conditions.
Technological changes.
Socio-cultural changes.
Action by authorities.

(Any 4 × 1) (4)

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3.4.2 Company strength – the ability of the enterprise as compared to its competitors to take advantage of opportunities presented by the market.✓✓

Or any relevant answer (2)

Market attractiveness – prevailing market conditions that when taken advantage of by the enterprise, can lead to massive profits.✓✓

Or any relevant answer (2)

3.4.3 (a) **Invest to hold** - Attempt to stop erosion of position by investing enough to compensate for environmental and competitive forces.✓✓ (2)

OR

Invest to penetrate - Aggressively attempt to move the position up, even at the sacrifice of earnings.

3.4.3 (b) **Invest to rebuild** - Attempt to regain a previously held position that has been lost by a milking strategy which for whatever reason, is no longer appropriate.✓✓ (2)

OR

Low investment - Attempt to harvest the business, drawing cash and cutting investment to a minimum.

3.5 The enterprise takes over a competitor, thus reinforcing its position. ✓✓ (2)
[50]

QUESTION 4

4.1
4.1.1 C✓
4.1.2 B✓
4.1.3 D✓
4.1.4 D✓
4.1.5 C✓
4.1.6 D✓
4.1.7 C✓
4.1.8 B✓
4.1.9 C✓
4.1.10 A✓

(10 × 2) (20)

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4.2 4.2.1 Since services are intangible, it is impossible for customers to sample, taste, feel, see, hear or smell a service before they buy them.✓✓

Solution:

Visualisation

In advertising, the company should depict the benefits of its services.✓✓

OR

Association

Connect the service with a tangible product, person, object or place.

OR

Physical representation

Companies can dress their service representatives in clean, distinctive uniforms for visibility, cleanliness and dependability.

OR

Documentation

Companies may cite facts and figures in their advertisements to support claims of dependability, performance, financial strength and security.

4.2.2 Services are typically produced and consumed simultaneously.✓✓
If a provider renders the service, then the provider is part of the service.
Since the client is also present as the service is produced, provider-client interaction is a special feature of services marketing.

Solution:

The service provider can learn to work with large groups.✓✓
The service provider can learn to work faster.
The service organisation can train more service providers and build up client confidence.

4.2.3 It is impossible for a service or industry or even an individual seller of services to standardise output.✓✓
Each unit of the service is somewhat different from other 'units' of the same service.

Solution:

Services can be customised to meet the needs of individual client.✓✓
Where possible, services can be automated.
Organisations can provide prescribed guidelines for handling clients.
Training staff can help reduce extreme variations in performance.

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4.2.4 The inability to own a service is related to its intangibility and perishability. In purchasing goods, buyers generally acquire title to the goods in question and can subsequently do as they want with them. On the other hand, when a service is performed, no ownership is transferred from the seller to the buyer✓✓

Solution:
The service provider can use direct distribution.✓✓

(8 × 2) (16)

4.3 4.3.1 Age, sex and socio-economic analysis tend to be the most used variables.✓✓

4.3.2 This can be used for targeting purposes in media planning and assisting in new service development and can contribute to pricing policy and service outlet location.✓✓

4.3.3 Motives may be psychological, security, social, ego, self-actualisation or economic in nature.✓✓

4.3.4 These refer to when, where and how customers buy and who makes the buying decisions.✓✓

4.3.5 Psychological determinants such as attitudes, perception and personality are very important in service marketing because of the intangible nature of services.✓✓

Social class and group influences as well as culture are market determinants of services.

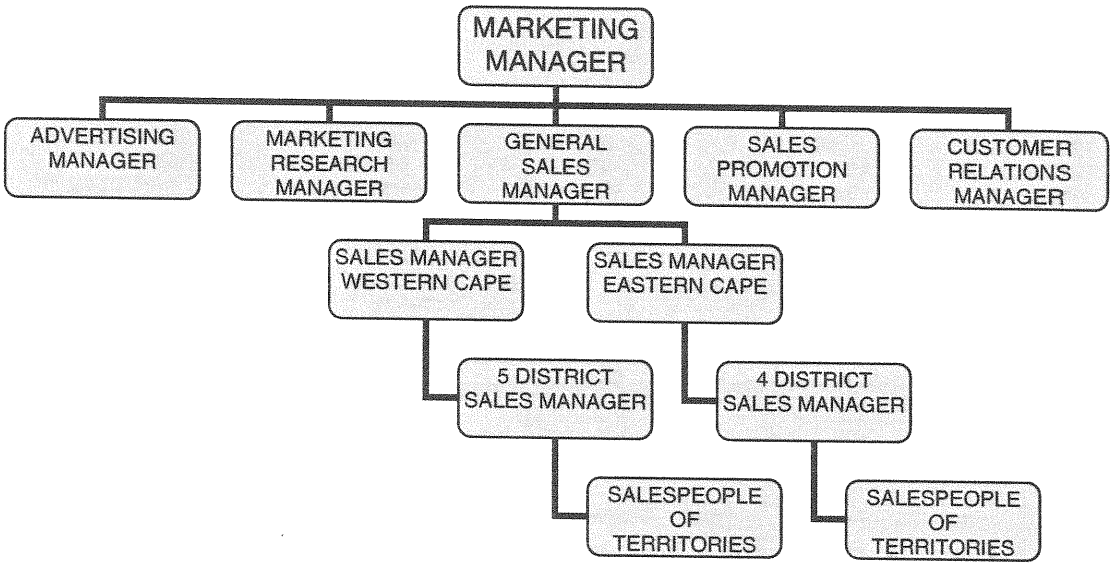
(5 × 2) (10)

4.4 Revenue-orientated pricing ✓
Operations-orientated pricing
Patronage-orientated pricing
Cost-plus pricing
Differential pricing by means of discounts (Any 1 × 1) (1)

4.5 Hold ✓
Harvest ✓
Divest ✓ (3 × 1) (3)
[50]

QUESTION 5

5.1



(17)

ADVANTAGES

- The structure ensures better coverage of the entire market.✓✓
- Ensures better control over the sales force and sales operations.
- A company can meet local competition better and adjust to local conditions.
- Local management can also act more rapidly in servicing and handling their needs and problems.
- Geographical subdivisions can act autonomously. (Any 1 × 2) (2)

5.2 **Industrial market (producer market)**✓
Industrial markets include buyers of raw materials, as well as purchasers of semi-finished and finished items used to produce other products.✓✓

The institutional market✓
Organisations with charitable, educational, community and other non-business goals constitute institutional markets.✓✓
Members of institutional markets include churches, some hospitals, colleges and charitable organisations.

Institutional buyers are a mixture of government and private organisations and the business marketer must consider them on an individual basis to respond successfully to their unique needs and characteristics.

Intermediate market (reseller market)✓
Consists of intermediaries such as wholesalers and retailers, who buy finished goods and resell them for profit.✓✓
Resellers serve as purchasing agents for their customers, so they buy products that they think will appeal to their customers.

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The government market✓
Governments spend millions of rands annually on a variety of goods and services to support internal operations and provide citizens with services such as highways, education, water, hospitals and national defence.✓✓

(4 x 3) (12)

5.3 5.3.1 Different bases can be used for sales analysis, such as sales per area, product range, consumers, distribution channel and size of order.✓✓
Sales analysis can be made in physical units and/or rand values.

5.3.2 Through personal interviews and telephone and mail surveys, marketing management can, inter alia, gauge the attitudes and opinions of the present and potential consumers on the marketing activities of the firm and also determine what general image of the firm is in the eyes of these consumers have.✓✓
The marketing research division normally conducts these consumer surveys.

5.3.3 The marketing or sales manager may accompany sales representatives on their visits; visit middlemen which deal with the products of the firm and observe their merchandising practices.✓✓
The marketing or sales manager may listen to the radio and look at and television advertisements of the firm and read the newspaper advertisements and talk to consumers about the need-satisfying attributes of the total product.
A systematic and purposeful stroll by the retail manager or another responsible person through the store enables him to observe aspects such as the buying habits of customers and the merchandising.

Various kinds of equipment such as mirrors and closed-circuit television can be used to watch salespeople when they do presentations to customers

(3 x 2) (6)

5.4 5.4.1 An enterprise that successfully adopts a low-cost strategy can quote lower prices than its competitors, and thus create a sustainable competitive advantage for its product or service.✓✓ (2)

5.4.2 The focus strategy creates a sustainable competitive advantage when the enterprise decides to occupy only one specific niche in the market with a limited product range.✓✓ (2)

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5.5 5.5.1 The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret, or other item of value for a fee or royalty.✓✓

Advantages of foreign licensing
The licensor gains entry into the foreign market at little risk, the licensee gains production expertise of a well-known product or name without having to start from scratch.✓
It is a source of additional earnings with a few financial risks and a low cost in executive time
It can give a firm a marketing advantage in meeting the needs of foreign customers, overcoming trade barriers, building goodwill or protecting patents and trademarks by having the licensee use them and keep them effective.
Reciprocal licensing agreement may allow a licensor to gain from the research activities of the foreign country.
Licensing allows a firm to penetrate a foreign market with a minimum investment because the licensee may already be established in the market or be able to provide the capital to set up operations.
Any one.

5.5.2 Foreign investors may join with local investors to create a joint venture in which they share ownership and control.✓✓

Advantages of joint ventures
The joint venture may develop local technology and managerial capability more rapidly.✓
The joint venture with local partners provides a means of gaining entry to markets where local participation is required.
The local firm may have access to channels of distribution and may already be established as a quality of allied products.
Local partners can provide the firm with physical facilities, labour and contacts with local officials and businesses.

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5.5.3 The ultimate form of foreign involvement is direct ownership of foreign-based assembly or manufacturing facilities. ✓✓
The foreign company can buy part or full interest in a local company or build its own facilities.

Advantages of direct investments

Cost advantages in terms of cheap labour and resources ✓
Benefits supplied by local governments to investors
Savings on transportation costs
Building a better image in the local market because it shows interest in the future of the country
Building a better relationship and understanding with the local government and suppliers
This leads to better acceptance of the firm and its products
The company keeps full control over its investment and determine its own policy to coincide with the long term international policy

(3 x 3) (9)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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