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JUNE EXAMINATION

NATIONAL CERTIFICATE

MARKETING MANAGEMENT N6

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This question paper consists of 11 pages

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
MARKETING MANAGEMENT N6
TIME: 3 HOURS
MARKS: 200

NOTE: If you answer more than the required number of questions, only the required number of questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. SECTION A is COMPULSORY.
2. Answer any THREE questions in SECTION B.
3. Number the answers according to the numbering system used in this question paper.
4. Start each question on a NEW page.
5. Write neatly and legibly.

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SECTION A (COMPULSORY)

QUESTION 1

Read the case study below and answer the questions

KELLOGG'S NUTRI-GRAIN – IDENTIFYING THE PROBLEM

The Kellogg's Company is the world's leading producer of breakfast cereals and convenience foods, with household brands such as Corn Flakes, All-Bran Flakes, Rice Krispies, Special K and Nutri-Grain.

When Nutri-Grain was first launched in 1997, it was immediately successful, gaining almost a 50% share of the growing cereal bar market in just two years. It maintained growth sales until 2002 through expanding the original product with new developments in flavour and format.

However, by mid-2004, Nutri-Grain found its sales declining whilst the market continued to grow at a rate of 15%. Competitor brands from both Kellogg's itself (e.g. All-Bran bars) and other manufacturers (e.g. Alpen bars) offered the same benefits and this slowed down sales and chipped away at Nutri-Grain's market position.

Kellogg's had to decide whether the problem with Nutri-Grain was the market or the product or both. The market had grown by over 15% and the competitors' market share had increased whilst Nutri-Grain sales in 2003 had declined. Kellogg's decided to try and extend the life of the product rather than withdraw it from the market, which meant developing an extension strategy.

Having recognised the problems, Kellogg's then developed solutions to rebrand and relaunch the product in 2005. They decided to renew the brand image in order to relaunch the product. Kellogg's looked at the core features that made the brand different and modelled the new brand image on these. New packaging was introduced to unify the brand image and an improved pricing structure for the stores and supermarkets was developed.

The Nutri-Grain brand achieved a retail sales growth rate of almost three times that of the market and, most importantly, growth was maintained after the initial relaunch. Nutri-Grain remains a growing brand and a product within the Kellogg's product family.

[Adapted from: *www.thetimes100.co.uk*]

1.1 Name and explain the competitive strategy that Kellogg's used to extend the life of Nutri-Grain. (3)

1.2 Which strategy would Kellogg's have adopted if they had decided to withdraw Nutri-Grain from the market instead of extending its life? (1)

1.3 Use the BCG matrix to classify any FOUR products that are mentioned in the case study. Ensure that the matrix is complete and labelled correctly. (10)

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1.4 Nutri-Grain found its sales declining whilst the market continued to grow at a rate of 15%.

1.4.1 Explain the marketing term *decline*. (2)

1.4.2 Name TWO strategies that can be used against declining markets. (2)

1.5 According to the case study, 'Kellogg's looked at the core features that made the brand different and modelled the new brand image on these'. New packaging and improved pricing structure were developed.

Explain FOUR other differentiation strategies that Kellogg's can use. (4 × 3) (12)

1.6 As a producer of wheat products, Kellogg's has to buy wheat from farms. After you have completed your studies in Marketing Management, Kellogg's has offered you an internship and asked you to develop the most effective and efficient way to buy wheat.

Explain how you would use the following eight steps of the industrial buying process to buy wheat for Kellogg's:

1.6.1 Problem recognition

1.6.2 General need description

1.6.3 Product specifications

1.6.4 Supplier search

1.6.5 Proposal solicitation

1.6.6 Supplier selection

1.6.7 Order-routine specifications

1.6.8 Performance review

(8 × 2) (16)

1.7 Suppose that the Kellogg's company, 'the world's leading producer of breakfast cereals', is distributing its products via indirect exports.

Differentiate between the following types of middlemen who are available to Kellogg's.

1.7.1 Domestic-based export merchant

1.7.2 Domestic-based export agent

(2 × 2) (4)

TOTAL SECTION A: [50]

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SECTION B (CHOOSE ANY THREE QUESTIONS IN THIS SECTION.)

QUESTION 2

2.1 You have been appointed as a sales executive at Mittal Communications, the largest producer of computers in South Africa. Your task is to market a newly developed high speed computer laptop to all government institutions in the country.

Show how you are going to apply the strategic marketing plan for industrial products, using the following topics:

2.1.1 Type of customer

2.1.2 Size of customer

2.1.3 Type of buying situation

2.1.4 Product strategy (marketing strategy)

2.1.5 Advertising (promotion strategy)

2.1.6 Personal selling (promotion strategy)

2.1.7 Sales promotion

2.1.8 Publicity

(8 × 2) (16)

2.2 Choose a term from COLUMN B that fits a category in COLUMN A. Write only the letter (A–E) next to the question number (2.2.1–2.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.2.1	Recreational services	A	tax consultant
2.2.2	Medical services	B	pick up-and-drop laundry
2.2.3	Professional services	C	beautician
2.2.4	Household operations	D	casino
2.2.5	Personal care	E	dentist

(5)

2.3 List the EIGHT steps of the strategic marketing-planning process. (8)

2.4 2.4.1 List the EIGHT steps, in the correct order, of the screening process of foreign markets. (8 × 1) (8)

2.4.2 Briefly discuss steps 1 and 8 named in QUESTION 2.4.1. (2 × 4) (8)

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2.5 There is a belief that products from China are harming business in South Africa.

Which FIVE barriers of trade can be implemented by the South African government to protect domestic business? (5)
[50]

QUESTION 3

3.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (3.1.1–3.1.10) in the ANSWER BOOK.

3.1.1 Vertical backward integration means that the manufacturer buys or creates his/her own retail outlets.

3.1.2 For mature and declining markets, divestment is recommended if cash dries up and the enterprise starts showing losses, especially if there is a dominant competitor forcing prices down and few loyal customers remain.

3.1.3 Regarding market attractiveness/ the enterprise strength model, *investing to penetrate* means aggressively attempting to move the position up, even at the sacrifice of earnings.

3.1.4 An organisation operates its marketing system within an external environment that is continually changing and generally cannot be controlled by any individual organisation.



3.1.5 Industrial firms are usually located all over South Africa.

3.1.6 Price is the most decisive factor in the purchase of industrial products.

3.1.7 Services are activities or benefits that one party can offer to another but do not result in the ownership of anything.

3.1.8 One of the pricing strategies of services is known as money-off price incentives.

3.1.9 In international marketing advertising programmes and package labels will need to be adapted if consumers of a foreign country are largely illiterate.

3.1.10 One disadvantage of trading internationally is foreign governments' lucrative incentives.

(10 × 1) (10)

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3.2 The four elements of the marketing mix, product, price, promotion and place (distribution) are used in implementation of all marketing strategies. For the successful implementation of a service strategy, the marketing mix must be expanded to include more elements, namely people, process and physical evidence.

Briefly explain these THREE elements. (3 × 4) (12)

3.3 While trading in other countries may be profitable, there are always risks and challenges.

Briefly explain the risks stated below:

3.3.1 Huge foreign indebtness

3.3.2 Unstable governments

3.3.3 Foreign exchange problems

3.3.4 Corruption

3.3.5 Technological pirating

(5 × 2) (10)

3.4 Discuss the enterprise strength/market attractiveness matrix according to the following format:

3.4.1 The enterprise strength/market attractiveness model consists of a market grid bounded by two variables: market attractiveness on the vertical axis and enterprise strength on the horizontal axis.

List FOUR factors of each axis. (4 + 4) (8)

3.4.2 In your opinion, what is meant by *company strength* and *market attractiveness*? (2 × 2) (4)

3.4.3 If the company strength and the enterprise attractiveness is low, the company is probably going to divest.

Briefly discuss the following:

(a) What should the company's strategic move be if its strength is average and the market attractiveness is also average? (2)

(b) What should the company's strategic move be if its strength is average but the market attractiveness is low? (2)

3.5 Describe *horizontal integration*. (2)

[50]

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QUESTION 4

4.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (4.1.1–4.1.10) in the ANSWER BOOK.

4.1.1 Company A has a product which brings in a heavy cash flow and has a 60% market share. According to the growth-share matrix, this product is a ...

A star.
B dog.
C cash cow.
D problem child.

4.1.2 The development or acquisition of products new to any enterprise, and the introduction of these products to markets not previously served by the enterprise:

A Diversification
B Unrelated diversification
C Related diversification
D Growth strategy

4.1.3 A competitive strategy that enables the company to supply the product more cost-effectively than competitors:

A Competitive pricing strategy
B Price differentiation
C Pricing according to discounts
D Low-cost strategy

4.1.4 The creation of the organisational structure best suited to the implementation of market objectives:

A Functional organisational structure
B Organisational structure according to geographical area
C Leading
D Organising

4.1.5 This buying method is signified by the specification and description of certain attributes to the product:

A Modified rebuy
B Build
C Description
D Production

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4.1.6 These include the suppliers' skills and knowledge in developing, designing, and manufacturing the product:

A Derived demand
B Distribution
C Suppliers
D Technology

4.1.7 Services that include telephone, telegraph, computer and specialised business communication services:

A Postal services
B Courier services
C Communication services
D Internet services

4.1.8 The element of the marketing concept upon which the survival of the business depends and therefore the service company will attempt to provide a service which satisfies the needs of the consumer most effectively.

A Profit orientation
B Consumer orientation
C Community orientation
D Systems orientation

4.1.9 The schools, banks, hospitals, power plants, railroads, highways, airports, communication systems, etc. of a country form part of its ...

A social responsibility.
B social grants.
C Infrastructure.
D natural resources.

4.1.10 Tools, artefacts and technology of a society that are made by man and not acquired from nature:

A Material culture
B Industrial products
C Semi-finished goods
D Fabricating materials

(10 × 2) (20)

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4.2 The following characteristics present particular problems associated with the marketing of services.

Briefly discuss these problems and then suggest solutions to solve the problems you have mentioned.

4.2.1 Intangibility

4.2.2 Inseparability

4.2.3 Heterogeneity

4.2.4 Ownership

(4 × 4) (16)

4.3 You have been appointed as a part-time market researcher by Madiba Bus Services. Your task is to analyse the market during the busy December holidays.

Briefly discuss the following segmentation bases that you are going to use when analysing the market:

4.3.1 Demographic

4.3.2 Geographic location

4.3.3 Buying motives

4.3.4 Buying patterns

4.3.5 Buying behaviour

(5 × 2) (10)

4.4 Give ONE pricing strategy that may be used in the pricing of service offerings. (1)

4.5 Build is one of the four basic strategies that is used for products within the Boston Consulting Group matrix.

List the other THREE. (3)
[50]

QUESTION 5

5.1 Briefly explain, with the aid of a diagram, how a company would organise its marketing department according to geographical area. Also state ONE advantage of such a structure (19)

5.2 Indentify and differentiate between FOUR categories of markets for business/ industrial products. (4 × 3) (12)

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5.3 Marikana Electronics is a distributor of music and entertainment equipment. For the second time in a row the sales staff did not meet their sales targets.

Show how Marikana can use the following evaluation and control techniques to identify the problem.

5.3.1 Sales analysis

5.3.2 Consumer surveys

5.3.3 Qualitative observation

(3 × 2) (6)

5.4 Show how companies can use the following competitive strategies:

5.4.1 Low-cost strategy

5.4.2 Focus strategy

(2 × 2) (4)

5.5 Explain the international entry strategies mentioned below and give ONE advantage of each:

5.5.1 Foreign licensing

5.5.2 Joint ventures

5.5.3 Direct investments

(3 × 3) (9)
[50]

TOTAL: 200

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