higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

MARKETING MANAGEMENT N6

13 JUNE 2016

This marking guideline consists of 11 pages.

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SECTION A

QUESTION 1

1.1
- Reduced interest rates on loans.
- Subsidies
- Tax incentives
- Accelerated depreciation for foreign investors.
- Duty-free entry of raw materials and equipment.
- Market protection through limitations on other importers.
- The right to take profits out of the country. (Any 5 × 1) (5)

1.2
- It is the population segment that is likely to consume processed food.
- It is the segment that is projected to grow to 51% of the total population by 2020. (4)

1.3 1.3.1
- If consumers are largely illiterate, advertising programs and package labels will need to be adapted.
- If girls and women are largely excluded from formal education, marketing programs will differ greatly from those aimed at the white South African housewife.
- Conducting marketing research can be difficult both in communicating with consumers and in getting qualified researchers.
- Products that are complex or need written instructions may need to be modified to meet the educational and skill levels of the market.
- Relations with, and cooperation from, the distribution channel will depend partly in the educational attainments of members in the channel.
- The nature and quality of marketing support services such as advertising agencies will depend on how well the education system prepares people for such occupations.

(Any 4 × 2) (8)

1.3.2
- Material culture
- Language
- Aesthetics
- Religion
- Attitudes and values (Any 4 × 1) (4)

1.4 1.4.1 Foreign licensing✓
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.✓✓ (3 × 1) (3)

1.4.2 Management contracting✓
A company may sell a management contract to a foreign company to manage its service business.✓✓

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

Wholly-owned subsidiaries✓
The direct ownership of a foreign-based service business, assembly or manufacturing facilities.✓✓

(Any 2 × 3) (6)

1.5 1.5.1 Growth through expansion in the market.✓
When businesses start as small local businesses and later achieve great success through gradual expansion programmes and may even go international.✓✓ (3 × 1) (3)

1.5.2
- Growth in existing markets✓
  - Growth can be achieved by encouraging existing users of a product to buy or use more of the same product or to test new uses for the existing product.✓✓

- Growth through product development✓
  - Growth can also be achieved by making small changes and improvements to existing products.✓✓
  - The product range can also be enlarged to offer consumers an even greater degree of satisfaction.
  - A new product can be developed for an existing market.

- Diversification✓
  - Diversification involves the development or acquisition of products and services new to the enterprise, and the introduction of these products to markets not previously served by the enterprise.✓✓
  - Through diversification the enterprise with adequate resources can move into new markets, decrease risk by investing into different industries, and increase its chances of survival.
  - Diversification means expansion in related markets with related products, or expansion to unrelated fields.

- Integration✓
  - Growth can take place when the manufacturer buys or creates his own retail outlets, the retailer buys or creates his own manufacturer, or when the enterprise takes over a competitor, thus reinforcing its position.✓✓

(Any 3 × 3) (9)

1.6
- Huge foreign indebtedness
- Unstable governments
- Foreign exchange problems
- Foreign government entry requirements and bureaucracy
- Tariffs and other trade barriers
- Corruption
- Technological pirating
- High cost of product and communication adaptation (Any 4 × 2) (8)

[50]

TOTAL SECTION A: 50

SECTION B

QUESTION 2

2.1
2.1.1 False
2.1.2 True
2.1.3 False
2.1.4 True
2.1.5 False
2.1.6 True
2.1.7 True
2.1.8 False
2.1.9 False
2.1.10 True

(10 × 1) (10)

2.2 2.2.1
- Blocks 1, 2 and 3 show the attractive zones.✓✓
- The zones are characterised by attractive markets and a strong competitive position.✓✓

2.2.2
- Blocks 4, 5 and 6 show unattractive zones.✓✓
- For instance in block 5 both the market attractiveness and the enterprise strength is low.✓✓

2.2.3
- Blocks 7, 8 and 9 are unclear.✓✓
- The competitive position and market attractiveness is shown only as an average.✓✓

(4 × 3) (12)

2.2.4
- Market segment
- Market growth rate
- Profit margin
- Competitors
- Economic conditions
- Technological changes
- Socio-cultural changes
- Action by authorities (Any 6 × 1) (6)

2.2.5
- Market share
- Profitability
- Technology
- Product quality
- Resources
- Knowledge of the market (6 × 1) (6)

2.2.6 A Attempt to stop erosion in position✓ by investing✓ enough to compensate for environmental and competitive forces.✓

B Attempt to strengthen position✓ in some segments✓ and let position weaken in other segments.✓

(3 × 2) (6)

2.3 Service business = Law firm

2.3.1 Free samples/Visits/Consultations
Law firms would promote their services by saying that the first consultation is free.✓✓

2.3.2 Money-off price incentives
These are used to stimulate demand during slack periods where price is considered to be a key element in customer's purchase decision.✓✓

2.3.3 Coupons/Vouchers
These are used to encourage non-clients and first time users to try out a service.✓✓

2.3.4 Free gifts
Customers are often promised a free gift when they are lured to attend a presentation where a particular service will be promoted.✓✓

2.3.5 Competitions
The inclusion of a competition in a service offer adds to the value of the total offer. Instead of just buying any legal cover policy, customers buy a policy with the hope of winning a prize that they may win when buying the policy.✓✓

(2 × 5) (10)
[50]

QUESTION 3

3.1 Economic environment✓
Business buyers are heavily influenced by factors in the current and expected economic environment such as the level of primary demand, the economic outlook, and the cost of money.✓✓
In a recession business buyers reduce their investments in plants, equipment, and inventories.

Physical environment✓
The physical environment is usually the environment from which the buying company gets its limited resources such as raw materials, energy and food.✓✓
The physical environment affecting the buying company consists of the geographical spread of the company's suppliers and customers. This factor will affect the company's costs and the extent of the logistical problems it may face in actually getting the products it has bought.

Technological environment✓
The technological environment refers to the current technologies in particular industries and the rate of technological change.✓✓
Industrial buyers may need new equipment and machinery in order to deal with competition and changing consumer needs.

Cultural environment✓
The cultural environment of a buying company includes all those national attitudes and beliefs that affect the way business people operate.✓✓
It is especially important that exporting companies gather information on the cultural environment of the foreign country to which they export their products.

Competitive environment✓
Competitors' actions, whether domestic or foreign, ultimately influence the company's choice of target markets, distributors, product mix and obviously its suppliers.✓✓
It is very important that the company always know who and where the competitors are.
Exporting companies should investigate foreign markets to determine the level of competition.

Legal and Political Environment✓
The legal and political environment within which business buying takes place refers to the ways in which government legislation directly or indirectly affects purchasing.✓✓
This means that companies must be fully aware of the legal and political environment before they enter new international markets.

(Any 6 × 3) (18)

3.2
- Planning
- Organising
- Leading
- Control (4)

3.3 3.3.1 Differentiation by unique product characteristics. (2)

3.3.2
- Differentiation on the basis of product quality.
- Differentiation by brand.
- Differentiation by distribution.
- Differentiation by marketing communication.
- Price differentiation.
- Differentiation based on consumer orientation. (6)

3.3.3
- Differentiation on the basis of product quality.
  Product quality goes hand in hand with performance, durability and reliability.

- Differentiation by brand.
  Brand distinguishes competitive products from one another, but also gives them specific symbolic value that creates an image or prestige for the product.

- Differentiation by distribution.
  Oros may use agents to arrange 'sip and taste' parties to introduce and sell their products.
  New and unusual distribution channels not only create new market possibilities but can also serve to differentiate products.

- Differentiation by marketing communication.
  Oros may use personal selling by visiting primary schools during break times.

- Price differentiation.
  Products or services can also be differentiated by unusually high or low prices.

- Differentiation based on consumer orientation.
  Oros may want to meet consumer needs by producing different products that will meet both adults and children preferences.

(Any appropriate 6 × 2) (12)

3.4 3.4.1 Direct exporting
Companies distribute their own products to other countries.
Companies handle their own exports.

Indirect exporting
Companies rely on independent middlemen to distribute their products to other countries.
Companies work through independent middlemen. (2 × 2) (4)

3.4.2
- Governments frequently provide considerable aid to potential exporters.
- It involves less risk and provides more flexibility than some other approaches.
- The company already has sufficient production capacity to produce for foreign markets and thus no additional production facilities are needed.
- The investment in assessing marketing opportunities may be minimal and will likely be aided by the use of intermediaries, trade fairs, secondary data and personal visits by executives.
- It presents minimal exposure to the political and other risks of the foreign environment and it helps the firm gain experience for further expansion through other strategies.
- An exporting company can relatively easily shift from exporting to another strategy if increased volume warrants the additional risk or if profitable opportunities are found to be greater through production abroad. (Any 1 × 2) (2)

3.4.3 Involves less investment
The firm does not have to develop an export department, an overseas sales force, or a set of foreign contacts.

Involves less risk
International-marketing middlemen bring know-how and services to the relationship and the seller will normally make fewer mistakes.
(Any 1 × 2) (2)
[50]

QUESTION 4

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

(10 × 2) (20)

4.2 4.2.1 The purpose of branding is to identify services as belonging to a particular organisation✓ and to enable differentiation of its services from those of its competitors.✓ (2)

4.2.2
- Include a tangible item as part of the brand image
  - Santam's umbrella
- Tie in a slogan with the brand
  - First National Bank's 'How Can We Help You?'
- Use a distinctive colour
  - Telkom's blue and green or Avis' red. (3 × 2) (6)

4.3 4.3.1 Step 1:
Determine the basic needs served by the product and the characteristics of the potential customer. (2)

4.3.2 Step 2:
Establish the manner in which these needs are currently being met. (2)

4.3.3 Step 7:
Eliminate countries where trade or investment barriers prohibit profitable market entry. (2)

4.3.4 Step 8:
Select the most suitable countries for further analysis, the market development of the entry strategy and the formulation of a market plan. (2)

4.4
- Ensures better coverage of the entire market.
- Ensures better control over the sales force and sales operation.
- A company can better meet local competition and adjust to local conditions.
- Local management can also act more rapidly in servicing customers and handling their needs and problems.
- Geographical subdivision can act autonomously. (10)

4.5
- Derived demand
- Elasticity of demand
- Knowledgeable buyers
- Relatively small number of geographically concentrated buyers

(Any 2 × 1) (2)

4.6
- Demographics
- Geographic location
- Buying motives
- Buying patterns
- Buying behaviour
- Buying power (Any 2 × 1) (2)

[50]

QUESTION 5

5.1 5.1.1 Description
This buying method is signified by the specification and description of certain attributes of the product such as quality, grade, colour, size and weight.

5.1.2 Inspection
The Brookes Company may want to visit the orange farm to inspect the conditions and materials and chemicals used to produce the oranges.

5.1.3 Sampling
Taking a sample from a homogeneous group of products and then by studying the product the organisational buyer makes his/her decision.

5.1.4 Negotiation
In many cases the seller and the buyer negotiate a base price from which they operate and by adding additional costs and fees for additional attributes the final price can be determined.

(2 × 4) (8)

5.2
- The buyer can examine trade directories.
- The buyer can do a computer search.
- The buyer can phone other companies for recommendations.
- The buyer may watch trade advertisements.
- The buyer may attend trade shows.

(Any 4 × 1) (4)

5.3 Service: Hair salon

Promotional strategy

Advertising
- Use television to show results of the service.✓✓
- Use satisfied customers to tell their stories on radio.✓✓

Sales promotion
- Money-off price incentives to stimulate demand during slack times.✓✓
- Coupons/Vouchers to encourage first-time users to try out a service.✓✓

Publicity
- Use the press or radio to create a favourable broadcast about the service.✓✓
- Sponsor welfare and sporting events.✓✓

Personal selling
- Home visits to promote the service.✓✓
- Service encounters to promote services during personal contacts.✓✓

(16 × 1) (16)

5.4
- Housing includes rental of hotels, motels, apartments, houses and farms.
- Household operations include utilities, house repairs, repairs of equipment in the house, landscaping and household cleaning.
- Recreation and entertainment include rental and repair of equipment used to participate in recreation and entertainment activities, also admission to all entertainment, recreation and amusement events.
- Personal care includes laundry, dry cleaning and beauty care.
- Medical and other health care includes all medical service, dental, nursing, hospitalisation, optometry and other health care.
- Private education refers to providers of private education e.g. Damelin.
- Business and other professional services include legal, accounting, management consulting and computer services.
- Insurance, banking and other financial services include personal and business insurance, credit and loan services, investment counselling and tax services.
- Transportation includes freight and passenger service on common carriers, car repairs and rentals.
- Communications includes telephone, telegraph and computer and specialised business communication services.

(Any 7 × 2) (14)

5.5
- Products are not purchased for personal use.
- Purchasing decisions are generally made on the basis of supply, rather than social or psychological needs.
- Since there are relatively few buyers and they tend to be concentrated, fewer layers of intermediaries exist.
- Generally, in the industrial market, there is a much greater emphasis on personal selling.
- Sales people act more as consultants and technical problem solvers, utilising in-depth product knowledge and technical understanding of buyers needs.
- Although still important, price is less critical in industrial buying decisions. Purchasers are willing to pay a premium price for equipment from a supplier who could provide superior technical and after-sale service. Quality, consistency of products, certainty of delivery, service and technical support are often the most important criteria.
- Competitive bidding and negotiated prices are very common and financial arrangements are often considered part of the pricing package.
- In the case of capital goods, leasing is often included as a price alternative.
- Trade and quantity discounts off published price lists are widely used.
- Price negotiation is typical in industrial marketing. Not only price, but service and delivery, are also negotiated.
- Negotiations between the buyer and the seller involve some form of bargaining strategy that is influenced by the relative strengths of the parties. The successful negotiation of a contract requires skill, experience and preparation. (Any 4 × 2) (8)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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