higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

MARKETING MANAGEMENT

14 NOVEMBER 2014

This marking guideline consists of 14 pages.

Copyright reserved

SECTION A

QUESTION 1

1.1
- Nedbank is growing its customer numbers by 10% annually.✓✓
- In Nedbank's last financial year, it attracted 655 000 more clients, taking its total number of clients above six million.✓✓
- Capitec might be growing far faster, but its market capitalisation is still less than a third of Nedbank's.

(Any 2 × 2) (4)

1.2 1.2.1 Market – the total number of customers that are at the disposal of any particular business.✓✓

1.2.2 Market share – the percentage of customers that prefer to buy their goods or services from a particular business.✓✓

Or any other relevant answer (2 × 2) (4)

1.3
- Standard Bank✓
- Absa✓
- First National Bank✓

(3 × 1) (3)

1.4 1.4.1 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.✓✓ (2)

1.4.2 Related diversification.✓

- Both Old Mutual and Nedbank are in the business of offering financial services.✓✓
- Related diversification occurs when an enterprise develops internally or acquires another enterprise that does have products and customers in common with its current business. (3)

1.5 Consumer orientation – Nedbank can determine needs of different consumer groups and structure financial services accordingly by for example, offering special interest rates for senior citizens.✓✓

Profit orientation – Profit margins are tailored according to services offered, for example, charging higher interest rates on credit cards.✓✓

Systems orientation – Different departments like finance and purchasing must focus on the timely satisfaction of consumer needs. A customer need not have to come back because ATM cards were out of stock.✓✓

Social orientation – Nedbank can sponsor community programmes like sports training camps. ✓✓

(4 × 2) (8)

Copyright reserved

1.6 Promotional strategy: Capitec

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 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 – services promoted during personal contacts.✓✓

Or any other relevant answer(4 × 4) (16)

1.7 Convenience
- Ensure convenience in terms of operating times by opening on Sundays or on public holidays. ✓✓

Number of outlets
- Offer enough outlets to prevent overcrowding. ✓✓

Location
- The outlets must be conveniently located near the customers to prevent customers travelling long distances to get to the bank. ✓✓

Or any other relevant answer (3 × 2) (6)

1.8
- Understanding customer needs✓
- Ensuring high service quality specifications✓
- Monitoring employee performance✓
- Managing service expectations✓

OR

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangible

(4)
[50]

TOTAL SECTION A: 50

Copyright reserved

SECTION B

QUESTION 2

2.1 Problem recognition✓ (1)
General need description✓ (1)
Product specification✓ (1)
Supplier search✓ (1)

- The buyer can examine trade directories, do a computer search, phone other companies for recommendations, watch trade advertisements, and attend trade shows. ✓✓
- The supplier's task is to get listed in major directories, develop a strong advertising and promotion program, and build a good reputation in the market place. ✓✓
- Suppliers who lack the required production capacity or suffer from a poor reputation will be rejected. (Any 2 × 2) (4)

Proposal solicitation✓ (1)

Supplier selection✓ (1)

- The buying center will specify desired supplier attributes and indicate their relative importance. ✓✓
- The buying center will rate suppliers against these attributes and identify the most attractive supplier. ✓✓ (2 × 2) (4)

Order-routine specification✓ (1)
Performance review✓ (1)

2.2 Revenue-orientated pricing.✓
Operations-orientated pricing✓
Patronage-orientated pricing.✓
Cost-plus pricing.✓
Differential pricing by means of discounts.✓ (5 × 1) (5)

2.3 Step 1: Setting of performance standards

During the planning process certain performance standard are determined against which achievements may be measured. ✓✓

Performance standards must be measurable, placed in order of priority, and be achievable.

Standards, as achievable objectives, can be determined for various marketing activities and are especially useful with routine activities, such as the number of visits and demonstrations per day expected of sales representatives.

Suitable performance standards can be developed, for example, input standards, output standards and efficiency standards.

Copyright reserved

Input standards

These refer to the marketing inputs which consist of labour and capital and are normally expressed in rand values. Budgets are allocated to various marketing activities like advertising, and can be seen in the marketing budget.

Output standards

Output standards are predetermined norms used for the control of the marketing results or outputs. Sales, measured in rand value or physical units, are probably the most important marketing output. The outputs can be seen in areas such as the number of units sold, profits, market share, contribution to business growth, etc.

Efficiency standards

Also known as productivity standards, efficiency standards are possible for any marketing activity if the above input and outputs can be measured directly. The efficiency standards which are particularly useful in the marketing control include, inter alia, the stock turnover rate, turnover per sales representative, gross profit as a percentage of sales and net profit as a percentage of sales.

The above efficiency standards enable the marketing management to distinguish between acceptable and unacceptable performances, thus keeping its finger on the pulse of the marketing strategy.

Step 2: Observation of the actual marketing performance

Observation must be performed in accordance with the control system, that is, at places, standard or stages indicated by the control system.✓✓

Marketing information is presented in such a way that it points out to the differences between performance standards and actual performance so that marketing management can concentrate on the deviations or problem areas.

Step 3: Evaluation of deviations

This step involves the evaluation of deviations between the actual marketing performance and the performance standards set. ✓✓

It is important to know why the standard has only been equalled and not exceeded, or even why the standard has been exceeded considerably.

All the variables responsible for the deviations must be identified. These variables should arranged in order of importance to determine the relative impact of each variable.

The variables must be divided into those controllable and those that are uncontrollable.

Copyright reserved

The controllable variables must be related to the persons concerned or decision making centres which have the necessary authority and responsibility to influence the variables.

Step 4: Corrective action

Where actual performance is below the standard set, steps can be taken to improve performance. ✓✓

Where the deviation can be attributed to uncontrollable environmental factors (such as an economic depression), standards have to be lowered if they were initially set too high.

In favourable circumstances it is also possible that actual performance can exceed the standards laid down. Once again standards will have to be adjusted.

If sales in the first quarter are much higher than the norm set in the sales budget, an adjustment will have to be made to avoid stock problems in the second quarter.

Information on deviations, the reasons for deviations and the nature of corrective action, is used in the forecasting process in order to set more accurate standards for future periods. (8)

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

Step 2: Establish the manner in which these needs are currently being met.✓ (1)

Step 3: Estimation of market potential.✓ (1)

Step 4: Elimination (Screening)✓ (1)
Eliminate countries which do not meet the firm's minimum requirements for market potential, ✓ economic growth, ✓ political risk, ✓ and available labour or natural resources. ✓ (4)

Step 5: Ranking✓ (1)

Step 6: Geographical clusters.✓ (1)

Step 7: Eliminate countries where trade or investment barriers prohibit profitable market entry.✓ (1)

These barriers would include tariffs,✓ quotas,✓ currency regulations,✓ investment restrictions.✓ (4)

Step 8: Select the most suitable countries for further analysis, the development of entry strategy, and the formulation of a marketing plan. ✓ (1)

Copyright reserved

2.5 Trade barriers are all measure's put in place by the government to protect domestic business' from harmful international trade.✓✓ (2)

- 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 3 × 1) (3)

[50]

QUESTION 3

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

(10 × 1) (10)

3.2.1 Overcoming intangibility
Physical representation
Nedbank may issue a gold status card to certain privileged customers.✓✓

Visualisation
In its advertising, Nedbank may the benefits of applying for a home loan with them showing a family moving into a new home.

Association
Nedbank may connect the service with a tangible product giving their customers wallets.

Documentation
Nedbank may cite facts and figures in their ads to support claims of dependability, performance, financial strength and security.

(Any 2 × 1) (2)

Copyright reserved

3.2.2 Overcoming inseparability
- Nedbank may offer telephone banking to its customers by having a 24-hour call centre.✓✓
- Nedbank personnel can learn to work faster.
- The service organisation can train more service personnel and build up client confidence. (Any 2 × 1) (2)

3.2.3 Overcoming heterogeneity
From the beginning, Nedbank must do all it can to ensure consistency of quality by training their personnel to maintain high levels of quality at all times.✓✓ (2)

3.2.4 Overcoming ownership problems
Nedbank may ensure that customers have access to all their account information at all times by offering cellular phone banking and internet banking and ATM's.✓✓ (2)

3.3 3.3.1 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. ✓✓

3.3.2 Management contracting
A company can manage to sell a management contract to manage a foreign hotel, airport, hospital, or other organization for a fee. In this case, the firm is exporting a service instead of a product. ✓✓

3.3.3 Contract manufacturing
Another entry method is contract manufacturing, where the firm engages manufacturers in a foreign country to produce the product. ✓✓

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

3.3.5 Direct investments (Wholly-owned subsidiaries)
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. (Any 2 × 1)

3.3.6 Turnkey operations
In this type of entry a company will be responsible for the construction of a certain facility, such as road or water project, for its start-up operations and for training of local personnel. Once the facility has been completed and is running smoothly, the company transfers (turns over the keys) to the foreign owner(s).✓✓

(6 × 2) (12)

Copyright reserved

3.4 (a) market share✓✓
(b) market growth✓✓
(c) stars✓✓
(d) problem children✓✓
(e) cash cows✓✓
(f) dogs✓✓

(6 × 2) (12)

3.5 Hold✓
Continue present strategies to preserve the market position (market share) of a product. This is appropriate for strong cash cows if they are to continue to yield a large, positive cash flow. ✓✓ (3)

OR

Harvest
A strategy that aims at getting short-term increase in cash flow regardless of the long-term effect. It is appropriate for a weak cash cow whose future is dim and from which more cash flow is needed.

3.6
- Planning ✓
- Organising✓
- Co-ordination✓
- Leading ✓
- Control✓

(5 ×1) (5)
[50]

QUESTION 4

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

(10 × 1) (10)

4.2 4.2.1 New-task
In new-task purchases the company is buying a product or service for the first time or more properly, facing a problem for the first time. ✓✓
In this buy class the company will have to evaluate a wide range or possible problem solutions or suppliers. ✓✓

Copyright reserved

4.2.2 Straight re-buy
Straight re-buy purchases are repeat purchases of products or services, many of which are triggered automatically when existing stocks reach a certain level, as is in the case of office supplies, such as paper, pens or envelopes.✓✓
The buyer has little involvement in the purchase and makes no evaluation of competing brands before simply repeating the purchase of the same brand as last time.✓✓

4.2.3 Modified re-buy.
Modified re-buy purchases are purchases in which the buyer is re-evaluating a product or service that has been bought before.✓✓
Some alterations to the product may be required.✓✓

(3 × 4) (12)

4.3 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.
High quality is one of the most important methods of creating a sustainable competitive advantage.

Differentiation by brand✓

Brand distinguishes competitive products from one another, but also gives them specific symbolic value, creating an image or prestige for the product.✓✓

Differentiation by unique product/service characteristics✓

Unique product characteristics, for example colour, which make a product just a little better or different, initially create a competitive advantage.✓✓

Differentiation by distribution✓

New and unusual distribution channels not only crate new market possibilities but can also serve to differentiate products.✓✓
For example, Tupperware (plastic containers and utilities) and It's a Pleasure (underwear) differentiated their products by using agents to arrange parties to introduce and sell their products.

Differentiation by marketing communication✓

Promotional methods and messages are an ideal way of distinguishing a product from those of competitors.✓✓

Copyright reserved

Price differentiation✓

Products or services can also be differentiated by unusually high or low prices. A high price is associated with quality, whereas a low price can easily create a "cheap image". ✓✓

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.✓✓

(Any 5 × 3) (15)

4.4 The cultural environment✓
The political/legal environment✓
The economic environment✓ (3 × 1) (3)

4.5 4.5.1 Invest to hold

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

4.5.2 Invest to penetrate

Aggressively attempt to increase market share, even at the sacrifice of earnings. ✓✓

4.5.3 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. ✓✓

4.5.4 Selective investment

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

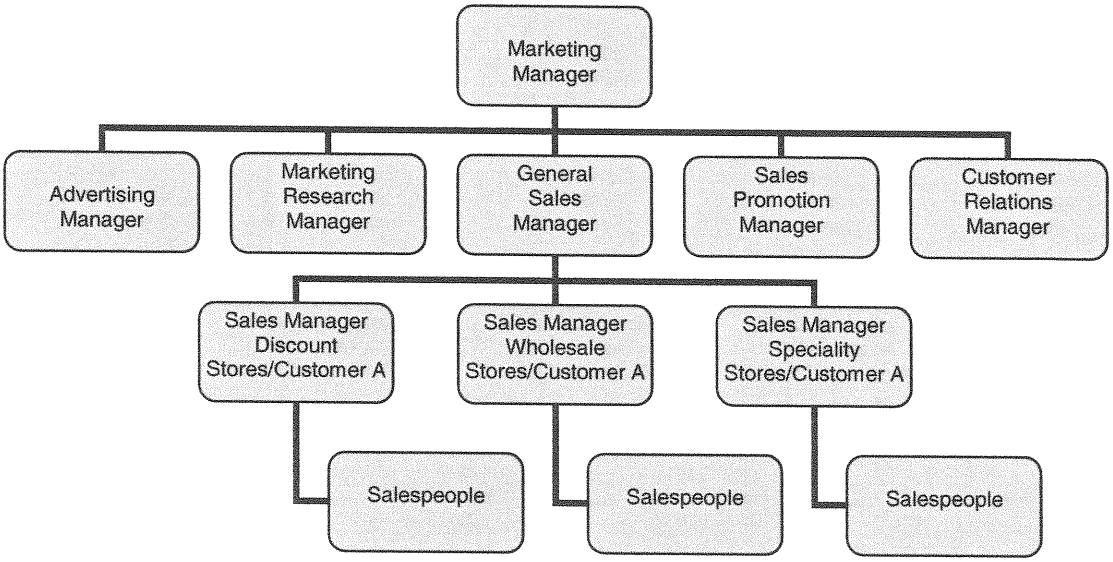
4.5.5 Divest
Sell or liquidate the product. ✓✓

(5 × 2) (10)
[50]

Copyright reserved

QUESTION 5

5.1 Organisational structure according to customers



(12)

5.2 5.2.1 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 economy, business buyers reduce their investment in plant, equipment, and inventories. ✓✓
- Business marketers can do little to stimulate total demand in this environment. They can only fight harder to increase or maintain their share of demand.

Technical 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.✓✓

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.✓✓

(3 × 4) (12)

Copyright reserved

5.3 5.3.1 Fabricating materials

Fabricating materials are manufacturing materials that tend to lose their identity and may even be indistinguishable in the final product e.g. cement. ✓✓

5.3.2 Installations

These products are relatively expensive, have a long lifespan and directly affect the scale of operations e.g. buildings. ✓✓

5.3.3 Operating supplies

These products are used to facilitate operations of the organization, but do not become part of the final product in the way component parts and process materials do. Examples of operating supplies include such items as stationery, cleaning/packaging materials, etc. ✓✓

(3 × 2) (6)

5.4
- The company's domestic market might be attacked by global firms offering better products or lower prices. The company might want to counterattack these competitors in their home markets to tie up their resources. ✓✓
- The company might discover that some foreign markets present higher profit opportunities than the domestic market. ✓✓
- The company might need a large customer base in order to achieve economies of scale. ✓✓
- The company might want to reduce its dependence on any one market so as to reduce its risk. ✓✓
- The company's customers might be going abroad and require international servicing. ✓✓
- Less or less intense competition.
- Lucrative government incentives.
- New markets may have new product life cycles
- Firm may be able to get rid of excess stock.

(Any 5 × 2) (10)

5.5
- Action programme✓
- Organisation structure✓
- Decision and reward system✓
- Human resources planning/staffing✓
- Company culture✓

(5 ×1) (5)

Copyright reserved

5.6
- Services should be distributed where convenient to all customers✓
- Consider 24 hour services✓
- Automotive machines✓
- Shopping centres where volume of traffic✓
- Scheduling services e.g. plugs✓
- Number of outlets

(Any 5 × 1) (5)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

Copyright reserved