



MARKETING STRATEGIES

Multiple choice

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|------|-------|-------|
| 1. B | 6. A | 11. D |
| 2. C | 7. A | 12. C |
| 3. A | 8. C | 13. B |
| 4. B | 9. D | 14. C |
| 5. C | 10. B | 15. D |

Short answer questions

Question 1

- (a) • Yashiba stores its matches too far away from their place of sale, this slows distribution.
- Yashiba also loses possible advertising exposure by storing their products in warehouses rather than on supermarket shelves.
- (b) Yashiba should use an intensive channel system such as gaining exposure on well known supermarket shelves. This will ensure that its products reach the maximum number of potential users.
- (c) Firstly, Yashiba could increase customer awareness of its products. By using intermediaries such as supermarkets, Yashiba is also diversifying the cost of advertising as these intermediaries will already be spending on advertising to attract customers. This will also increase the probability that customer's will choose to purchase Yashiba matches. Secondly, Yashiba would solve some of its distribution problems as customers could receive their matches immediately from the intermediary rather than having to wait for them to be shipped from Darwin.

Question 2

- (a) Creating a strong brand image will increase the probability that customers will choose Brodwin clothing products. This will not only increase sales, but also allow Brodwin to raise its prices as consumers are often prepared to pay higher prices to buy a product that they know well. Increased sales and higher prices will lead to greater profitability for Brodwin.
- (b) Brodwin's products are sold in discount retail outlets. This means that Brodwin has adopted a penetration pricing approach, aiming to sell its products for lower prices than its competitors'. Penetration pricing policies might be useful for increasing sales of Brodwin products. Moreover, as its products are competing mainly on price, Brodwin may not need to employ more expensive marketing techniques such as employing opinion leaders or widespread advertising. However, by selling its products

cheaply, Brodwin is making a lower profit on the sale of each item than it would if it was selling its products for a higher price. Cheap products can also at times be assumed to be poor quality, and this will not help Brodwin's brand image.

Instead, Brodwin could seek to gain brand awareness and aim for a target market that places a value on branding such the youth market. This would allow Brodwin to attach a higher price to its clothes when they increase in notoriety.

- (c) Brodwin could stock its products in higher quality department stores or specialty clothing stores. This would improve consumer perceptions of the brand and may also make them more prepared to pay higher prices for Brodwin products. Brodwin could also start an advertising campaign on television and in magazines featuring opinion leaders such as celebrities promoting the quality and style of Brodwin products.

Question 3

- (a) Market segmentation allows businesses to tailor products to conform to the wants of a specific group of consumers, resulting in products with a higher chance of success. Market segmentation also reduces marketing expenditure as advertising promotions can be tailored towards small groups of consumers rather than the whole population.
- (b) Naseem's products appear to be heavily tailored to their target market, with children's cereals for example focusing on a 'sweet them'. To appeal to a broader market, Naseem could try to produce cereal that contained sweet tasting ingredients, but was also healthy. This would allow them to attract numerous markets at once and differentiate itself to market specific competitors.
- (c) Naseem appeals to three broad markets with its products (children, general public and fitness fanatics), and the company tailors its products to each of these markets. In the children's market, Naseem sells its two products for a low price. This appears to be a fairly successful strategy with its lowest priced cereal, Bummibran at \$3.80, holding the greatest market share of any of its products. Cherry Bites, is sold for a slightly more expensive price than for Naseem's two children's cereals. The price for Cherry Bites appears quite high as the product has a reasonable low market share of 12% despite being in a much larger target market. Muesli-Bix is sold for an expensive price of \$6.35. This appears to be an appropriate price as the buyers of the product are likely to be interested in maintaining a healthy lifestyle and not be so concerned with price.

Question 4

- (a) It appears that Ledge Ltd adopted a market skimming pricing policy between 1995 and 1997 – gradually lowering the price over time. This is a useful strategy to gain prestige and maximise profits when a product is released. However, it relies on there being no major price competitors already available in the marketplace.
- (b) Ledge Ltd lowered its prices when Honda introduced a new competitor. It appears that this was in an effort to stop Honda gaining any of Ledge Ltd's market share – evident in the extreme price drop and the increase in price once Honda left the market.

- (c) **When Honda left the market, Ledge Ltd once again faced less competition. It appears that retaining a low price would have been quite unnecessary in this situation as it would have lowered profitability and may have caused customers to perceive X120 motorbikes as being of poor quality.**
- (d) **Consumers often perceive a strong relationship between the price of a product and its quality. They believe that a product with a low price might be poorly manufactured and of cheap quality. Producers such as Ledge Ltd can exploit this by selling their products for a high price and claiming that it is of better quality than competing products. Consumers will be willing to pay the higher price in order to purchase what they perceive to be a better quality motorbike. This will allow companies such as Ledge Ltd to achieve higher profits.**