

Topic Review

Topic 3: Marketing

Multiple Choice

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|----|---|--|
| 1 | B | Nature and role of markets and marketing |
| 2 | C | Elements of a marketing plan |
| 3 | C | Developing marketing strategies |
| 4 | C | Market research process |
| 5 | B | Developing marketing strategies |
| 6 | C | Ethical and legal aspects |
| 7 | C | Ethical and legal aspects |
| 8 | C | Developing marketing strategies |
| 9 | C | Developing marketing strategies |
| 10 | D | Elements of a marketing plan |
| 11 | D | Elements of a marketing plan |
| 12 | A | Elements of a marketing plan |
| 13 | C | Customer and buyer behaviour |
| 14 | A | Developing marketing strategies |
| 15 | D | Developing marketing strategies |
| 16 | A | Developing marketing strategies |
| 17 | C | Elements of a marketing plan |
| 18 | B | Market research process |
| 19 | A | Developing marketing strategies |
| 20 | B | Developing marketing strategies |

Short Answer Questions

Question 1

- (a) People who own homes with lawns and gardens. People who own lawn mowing and gardening businesses.
- (b) PCT is using price skimming with the Grover Lawnmower. The price was high when it was introduced and the price has fallen since. With the Husky Lawn Trimmer, PCT is using a penetration strategy, offering the product at a low price until it is accepted by the market and gradually increasing the price.
- (c) Because PCT wished to use a price skimming strategy it set the price of its Grover Lawnmower high when it was introduced. This strategy of asking the consumer to pay top dollar for the product will work if the quality of the product is excellent and there are few reliable substitutes. As the product moves through its life cycle it can reduce the price.

- (d) One strategy that PCT could use is that of an opinion leader to promote the product in TV and magazine advertising. If the opinion leader is well respected in the community this strategy could help to boost sales for the product. The business would need to balance the possible gains from the promotional campaign against what it could hope to sell from aggressive pricing strategies.

Question 2

- (a) Government factors by awarding Nicole's Fruit Store a subsidy. Socio-cultural factors where the schools will be able to promote healthier lifestyles.
- (b) The purpose of relationship marketing is to build strong economic and social relationships with customers which will cause that relationship to continue beyond the initial transaction.
- (c) Several problems occur when businesses sell products for low prices. One problem is the possibility of retaliation from other competitors. This could result in a price war where some businesses may be eliminated if they cannot keep their costs low and lower than expected revenue can't cover short term liabilities.

Another problem results from the idea of value. The price of a product allows the consumer to develop an idea of value of the product and if the price is too low, the customer may feel that the product is of low value and quality and not buy the product, preferring a more expensive substitute. This can happen with price skimming in the later stages of the product life cycle and in the early stages of the cycle with a penetration pricing strategy.

- (d) A product strategy that Nicole's Fruit Store could use is product differentiation where the product sold by Nicole's is made to seem different to the consumer. This is difficult with fruit, so that Nicole would need to source products like organically produced fruit and then educate people about the benefits of not only eating fruit, but organically produced fruit.

A promotional strategy that a business such as Nicole's could use is personal selling. People approaching the shop or looking at fruit could be approached by the sales staff and informed of the benefits of buying fruit there.

Question 3

- (a) Primary data is information which is gathered purely for the purpose of being able to help make a particular decision and is collected by the business.
- (b) Conducting market research and gathering data from a variety of sources can be an expensive and time consuming process. Before any business undertakes market research it should know why it is doing the research and what information is required. Therefore the first step in the market research process is to establish what the objectives are in terms of what research is needed.
- (c) A situational analysis is a close examination of aspects which affect a business. The analysis will look at the internal and external business environment closely. Factors in the external environment include government policy, demographic factors, international influences, state of the economy and market factors such as the attitudes of consumers of the business's product and what competitors for this market are doing. One part of a situational analysis is called a SWOT analysis, where a business looks at the internal factors of its strengths and weaknesses and then examines external factors such as its opportunities and threats. By doing this the businesses can build on its strengths and try to reduce its weaknesses and develop strategies to take advantage of its opportunities and to guard against the threats.

- (d) One physical distribution issue this business will have is transport. Not only is it a long distance by sea to Guyana, but pianos are very bulky, so that transporting pianos from Guyana to Australia will be time consuming and expensive.

A second physical distribution issue is warehousing. There will be a problem of where to store the pianos when they arrive in Australia. Not only will considerable warehouse space be needed (depending on how much inventory will be kept) but there are special requirements for storing pianos (not too dry, not too damp).

Question 4

- (a) Intermediaries are used in the distribution process because they are specialised. If a business needs to store goods before transferring them to the retail point of sale it will often use a specialist warehousing business. When goods are to be transported a logistic company will be used.

Intermediaries also contribute to efficiency where the intermediary acts on behalf of several manufacturers.

- (b) Implied conditions are conditions that have not been written down or discussed by parties to an agreement. These conditions can be found in warranties which are a guarantee that a product is of merchantable quality and fit for use and will do what it is supposed to do. An implied condition could be that the purchaser will only use the product for the purpose for which it was intended.
- (c) Oswald's could use a loss leader pricing strategy where it offers a product that will be popular (for example a comfortable office chair) at below cost. This would entice consumers to the retail outlets in anticipation that they would buy other products priced to more than make up for the losses incurred on the loss leader.

Another pricing strategy which could work for Oswald's, especially with new products would be a penetration pricing strategy where the introductory price would be set low to entice customers and gradually increased as market share increased. The aim of penetration pricing is to increase market share quickly.