

PRINCIPLES OF MARKETING
DIPLOMA BUSINESS ADMINISTRATION
MARKING SCHEME

Principle of marketing

Question one

a) Various market coverage strategies used to target a market

- Undifferentiated
- Differentiated
- Concentrated

b) Distinction between personal selling and advertising

Personal selling:

- It is the method of personal communication. It is the way of face- to-face communication.
- Two-way, from seller to buyer and buyer to seller, communication.
- It is more flexible. Salesman finds it easy to adjust with situation. He can alter his presentation as per situation.
- Immediate and direct feedback can be measured. Salesman can know the buying intention of buyers

Advertising:

- It is the method of mass communication. It is the way of indirect communication.
- One-way, from seller to buyer, communication
- It is less flexible. Once advertising programme prepared and implemented, there is less chance to alter or adjust it.
- Immediate feedback cannot be measured. Even, net impact cannot be known

c) Functions of distribution in marketing

- Bridge the gap between production and consumption
- Information Provider
- Bulk breaking
- Storage for the manufacturer/producer
- Matching Demand and Supply
- Promoting the product
- Understanding the customer's needs

d) The personal selling process

- Prospecting
- Qualifying a prospect
- Pre-approach
- Approach
- Sales Presentation
- Trial Close
- Handling Objections
- Closing the Sale
- Follow-up

e) Factors that influence industrial buyer behaviour

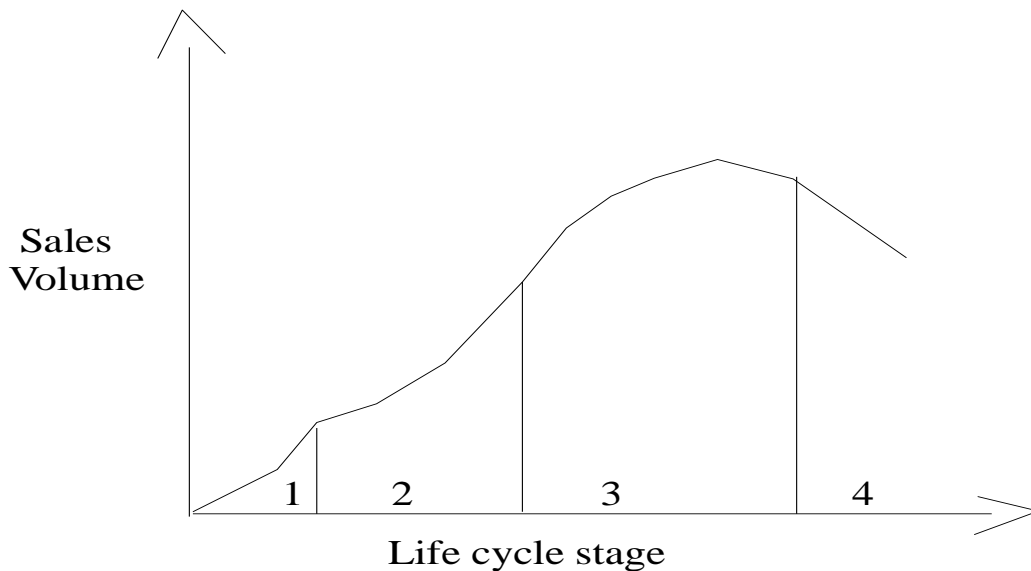
☐ *Environmental Factors*

- Economic Developments
- Technological Changes
- Political and Regulatory developments

- Competitive developments
- Culture and Customs
- ❑ *Organizational Factors*
 - Objectives
 - Policies
 - Procedures and processes
 - Structures and systems
- ❑ *Interpersonal and Individual Factors*
 - Participation and Authority
 - Interpersonal Conflict
 - Education and Awareness
 - Risk Taking Ability
 - Individual Factors
- ❑ *Situational Factors*
 - Time Factor
 - Current Financial Situation
 - Availability
 - Special Offers

QUESTION 2

(a) The Product Life Cycle (PLC)



Products have life cycles that can be divided into four stages, namely;

- i) Introductory
- ii) Growth
- iii) Maturity
- iv) Decline

Characteristics of each Stage

1. Introduction Stage

The introductory stage starts where commercialization of a product stops, i.e. at the end of the new product development stage. At this stage, profits are negative because of low sales and heavy distribution and promotion expenses. The firms with products at this stage experience high costs of production, net losses, and limited distribution and coverage for the products. It is a very risky and an expensive stage.

Competition is low because of few competitors who sell same versions of the product. Attention is focused on consumers who are most ready to buy, usually, the high income, innovators. Prices tend to be high due to cost of production, technological problems and need for higher margins to support future production. Marketers have to concentrate on scheming and penetration strategies.

2. Growth Stage

This stage is marked by rapid increase in sales and profits. The implication is that, the majority of consumers have not adopted the product and production costs are still higher. Since, this stage is the most attractive of all the PLC stages, competitors are attracted into the market. The increased competition leads to wider distribution, and factory costs of operation may rise.

Prices may fall or remain stable depending on the industry's cost structure. Promotion expenditure may be lowered or raised to meet the level of competition. Marketers, therefore, concentrate on strategies like improvement of quality, modification and addition of more attributes to the product.

3. Maturity Stage

This is a stage where the market gets to a mature stage. That is, the market/consumers are well aware of the product being sold in the market. The rate of growth in sales will slow down as

production matures. That is, the level of sales and profits will increase but, at a declining rate. Profits may level out.

Due to this, the level of competition may decrease in the industry because sales are not growing and firms are no longer attracted into the market. The maturity stage lasts longer than any of the stages in the life history of a product. Therefore, marketers may concentrate on product improvement, modification and addition of more attributes.

4. Decline Stage

This is the last stage in the PLC. Sales decline due to over-capacity, technological advances, differing tastes and preferences, e.t.c. The result of this is, profit erosion and firms may close down. Firms that may remain may limit their production capacity because the market has shrunk.

Marketers should therefore, use strategies like holding, increasing investment and divesting from the business or shrinking the level of business.

(Award 2marks for the diagram and 2 marks for every stage.)

(b) channel of distribution include;

i) Producer \longrightarrow Consumer; \longrightarrow Zero channel

ii) P \longrightarrow R \longrightarrow C \longrightarrow One level channel

iii) P \longrightarrow W \longrightarrow R \longrightarrow C \longrightarrow Two level channel

iv) P \longrightarrow A \longrightarrow R \longrightarrow C \longrightarrow Two level channel

v) P \longrightarrow W \longrightarrow A \longrightarrow R \longrightarrow C \longrightarrow Three level channel

(Award 2 marks each for every channel.)

QUESTION 3

Research information is crucial in both the short run and long run survival of firms in an industry. It enables the organizations to acquire usable information about the market place as an aid to vital marketing decision-making on a daily basis. Marketing research can provide information that can help in reducing the risk in decision-making, but at a cost. Usually the more accurate the information, the more it will cost the organization. Therefore, most market research studies involve some form of a trade-off between accuracy and cost. Marketing research can be defined as the systematic gathering, recording, analyzing and reporting of data about problems relating to the marketing of goods and services. Explain the various steps in marketing research.

(10 marks)

3.2 Steps in the Marketing Research

1 Definition and identification of the research problem

The problem of research must be identified clearly and it must be precise and not ambiguous. As Churchill puts it, “a problem well-defined is a problem half –solved.”

2 Determination of the sources of information.

Methods of collecting primary data.

- i) Observation
- ii) Experimentation
- iii) Questionnaire method – “drop and pick”
- iv) Attitude scale tests
- v) Consumer panels
- vi) Interviews-
- vii)

3 Determination of Data Collection

This will depend on the source of data to be collected. For secondary data, the researcher will use desk research. That is, perusing through all the available data relevant to the problem in question, whereas for primary data, the researcher will have to institute fresh research or field study.

3.2.4 Determination of the Sample Designs to be used

This refers to the group of people or objects that the researcher is about to make generalizations on the findings. The main concern of the researcher is to:

3.2.5 Data Collection

Data collection involves conducting desk research, fieldwork or experiment. The researcher should ensure that, proper data collection instruments are put in place, especially the interview guides (the questionnaire), observation methods and others. The process of data collection should be administered carefully to ensure that the research design is properly followed. A lot of care is also required needed to ensure that, factors that can bias or distort information are avoided as much as possible

3.2.6 Data Analysis

The purpose of data analysis and interpretation is to obtain meaning from the research carried out.

3.2.7 Report Results

Regardless of how well research has been carried out, the project is a failure if the research report fails in its mission – which is to communicate with the readers/audience. That is, the report is the yardstick for evaluating the research project.

A Good Report should therefore satisfy the following criteria:

- i) **Completeness** – Should not leave out input details or procedures or research
- ii) **Accuracy** – Reporting exactly the findings of the project without exaggeration
- iii) **Clarity** – Must be clear in terms of sentences, expressions and explanations. There should be no use of jargons.
- iv) **Conciseness** - Must be brief - Should not elaborate on unnecessary detail and should be non-repetitive (This is when we talk about quality of the research report).

(Award 2 marks for each point and 1 mark for correct order)

QUESTION 3

The five alternative (competing) concepts under which organizations can conduct their marketing activities include;

- i) Production concept
- ii) Product concept
- iii) Selling concept
- iv) Marketing concept
- v) Societal concept

i) The Production Concept

It's a management philosophy that holds that consumers will favour products that are available, as well as, affordable. The aim of the marketer is to focus on how to improve production and distribution since the economy was characterized by shortages (demand exceeded supply). Here, the marketers/producers are deeply concerned with production since what they produce will quickly be sold. Product quality at this stage is not an issue.

ii) The Product Concept

The marketers contend that consumers will buy products of high quality, performance and innovative features and shun products of low quality. The emphasis here was still on production since little marketing effort was needed to secure satisfactory sales. The concept is again more prevalent in societies with shortages of products. It is also assumed that people/consumers are aware of product quality and will not be persuaded to make purchases. Therefore a marketer at this stage should devote their energy to making continuous improvement and innovation. That is, they should have a detailed version of the new idea stated in meaningful consumer terms.

iii) The Selling Concept

This concept holds that consumers will not buy products until some large scale selling and promotional effort is expended despite, the fact that, they look for quality products (the concept is typically practiced with unsought goods). At this stage, marketing is still looked at from the producers/sellers point of view and works best where there is over capacity. The aim is to sell what they have rather than what the consumer requires. That is, they concentrate on sales

transactions rather than building long-term customer relationship hence, involves hard selling and ignores relationship marketing. This kind of marketing carries high risks.

iv) The Marketing Concept

It is a philosophy that holds that the achievement of the organizational goals depends on determining the needs and wants of the consumer or target markets and delivering the desired satisfaction more effectively and efficiently than competitors do. Decision-making at this stage starts with the customer; working backwards to ensure that, developing a product that is tailor-made to satisfy the need at a profit for the organization satisfies the consumers' needs.

v) The Societal Marketing Concept

This is the newest of the five marketing philosophies. It holds that marketers are not only concerned with satisfying the needs of consumer in the short-run but also, concerned with the long-run welfare of the society.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, worldwide economic problems and neglected social services. It contends that pure marketing concept overlooks the possible conflicts between the consumer's short-run wants and their long-run welfare, e.g. beer drinking, cigarette smoking, and environmental degradation through pollution among other social ills. A good example is the case of beer drinking, which leads to lung cancer, careless driving, family quarrels, and many others problems, EABL should offer advice on how to drink moderately.

(Award 3 marks each for every concept)

QUESTION 4

Macro Environment of a firm can be broken down into the following variables:-

i) Economic Factors

This is the most important component of macro environment because it consists of factors that affect consumer's spending patterns. Marketers must focus their attention on the developments within the economy, which is likely to have an impact on their businesses directly or as a result of impact on the consumer spending. **Key aspects of Economic Environment are: Inflation**

rates, Demand for a particular product, Total income and income distribution, Changing consumer's spending patterns,etc

ii) Demographic Factors

This refers to the study of human population in terms of size, density, location, occupation and other characteristics. It includes component like;

- i) **Total Population-** The higher the population, the higher the demand for the products
- ii) **Population Distribution** – in areas that are densely populated, the demand for products is assumed to be high.

iii) Political /Legal Factors

This is concerned with government policies and regulations governing certain areas of the economy. When a government makes a policy statement, it becomes law and the concern of the marketer is to scan the environment and make use of laws that are favourable to him/her and may sometimes lobby to make the government act in his/her favour.

iv) Social – Cultural Factors

These are institutions and other forces that affect the society's basic values, perceptions, preferences, and behaviour. The market's behaviour and consumption patterns are shaped by the society's values and beliefs. The major cultural values of a society are expressed in people's views of themselves, and others, as well as, in their views organizations, society, nature, and universe.

v)Technological Environment

Technology is a dramatic force now shaping the destiny of most organizations. That is, it changes rapidly. It has released such wonders as the mobile phones, computers, organ transplants, human cloning, automobiles, T.V.s, aero planes and many others and has created such horrors as, chemical weapons, nuclear missiles, assault rifles among others. Technology has facilitated faster production of goods and services and enabled businesses to earn

economies of scale arising from large-scale production. The marketers must know the level and rate of change in technology in every target market.

vi) Competitive Factors

With globalization, liberalization and computerization, stiff competition has set in, in various sectors of the economy. Many economies have opened up their doors for free trade increasing the number of competitors in every sector. Customers have also become knowledgeable due to high education and increased awareness hence, demand high quality products.

Therefore, the marketers must know who their competitors are, their products, objectives, strategies, strengths and weaknesses among other factors. This will enable them to react to competition appropriately.

vii) Geographical Factors

The concern of the marketers is to design strategies that suit the need of each geographical region, for example, location, district, neighborhoods, countries, and continents. Consumers are found in different regions of the world and have different tastes and preferences. Therefore, marketers must be able to target them with different strategies, for example, customer characteristics (i. e. income, size, growth potential, e.t.c), climatic conditions, behavior patterns and many others. **(Award 3 marks each for any 5 points.)**

QUESTION 5

(a)Promotion mix that a marketer can use to communicate.

i)Advertising

This is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor through the media. Advertising offers a reason to buy. It includes print and electronic media. Advertising is widely used in order to reach masses of geographically dispersed buyers at a low cost per exposure and it allows the marketer to repeat the message many times. Beyond the widespread coverage, advertising says something positive about the sellers' size, popularity and success. Due to its public nature, consumers tend to view advertised products and services as more legitimate.

ii) Personal Selling

This is face-to-face or door-to-door selling of products/services. It is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. It includes sales presentations, demonstrations, trade shows, e.t.c. This is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences, convictions and actions. Personal selling involves personal interaction between two or more people, so each person can observe the other person's needs and characteristics and make a quick adjustment. It allows all manner of relationships to spring up, ranging from a matter of selling to personal friendship. This enables the sales people to establish long-term relationships.

iii) Sales Promotion

This consists of a diverse collection of incentive - tools, mostly short-term designed to stimulate quick and greater purchase of particular products/services. It offers an incentive to buy. It includes samples, coupons, prices-off, prizes, patronage reward, and point-of-purchase displays among others. This includes a wide assortment of tools, e.g. coupons, contests, cent-off deals, premiums and other incentives. The incentives attract consumer attention, offer strong incentives to purchase and can be used to dramatize product offers and to boost sagging sales. Sales promotions invite and reward quick response - whereas advertising says "Buy our product" while sales promotion says "Buy it now." Sales promotions are often short lived.

iv) Publicity

This is a non-personal form of demand stimulation and is not paid for by the person or organization benefiting from it. It takes the form of favourable news presentation or some form of public address.

v) Public Relations

A public is a group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) include a variety of programs designed to produce or protect a company's image or its individual products. Main tools in Public Relation are publications, events, news, speeches, or service activities among others. It involves building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image and handling or heading off unfavourable rumours, stories and events. Public relation is very believable and includes tools like, news stories, features and events. PR can reach many prospects who may avoid sales people and advertisements. That is, the message gets to the people as news rather than as a sales-directed communication.

vi) Direct Marketing

This is direct communication with carefully targeted individual consumers to obtain an immediate response and create a lasting - customer relationships. It includes telemarketing, catalogs, faxes, e.t.c. Forms of direct marketing include telemarketing, direct mail, electronic marketing and on-line marketing among others.

(Award 2 marks each 2x6.)

(b) Basis of Segmenting consumer Markets

1. Geographic
2. Psychographic
3. Product

(Award 2 marks each for any 4)