



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Consumer Intelligence and Information Systems
<b>DEPARTMENT</b>	Marketing Management
<b>CAMPUS(ES)</b>	APB / SOW / DFC
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<b>ASSESSMENT DATE</b>	TBA	<b>SESSION</b>	TBA
<b>ASSESSOR(S)</b>	Prof C De Meyer-Heydenrych; Mr N Mkhize; Ms P Thusi, Dr G Mavunga		
<b>MODERATOR(S)</b>	Dr N Cunningham		
<b>DURATION</b>	2 hours (120 min)	<b>TOTAL MARKS</b>	80

<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>	11
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#### INFORMATION/INSTRUCTIONS:

- Students **must** hand in this this paper together with their answer booklets
- This is a closed book assessment.
- Multiple choice questions (**Section A**) must be answered on the multiple choice answer sheet at the back of your answer booklet.
- Read the questions carefully and answer only what is asked. In **Section B**, apply your answers to the Zara case study (or the clothing industry) when asked to do so.
- Number your answers clearly.
- Write neatly and legibly.
- Structure your answers by using appropriate headings and sub-headings where possible.
- The general UJ policies, procedures and rules pertaining to written assessments apply to this assessment.

## SECTION A: MULTIPLE CHOICE QUESTIONS

[25 MARKS]

*For section A, please answer the multiple-choice questions on the multiple choice answer sheet at the **back of your answer booklet** by marking the correct answer with an 'X.'*

**Answer ALL the questions in this section.**

- 1.1 Which one of the following is an example of how sellers can influence consumers' reference prices when setting their price?
- A. Providing information about the product's quality
  - B. Creating attractive packaging and displays
  - C. Emphasising higher prices from competitors
  - D. Adding an additional mark-up to create a perception of value
- 1.2 Which of the following could be classified as a plausible challenge to cellphone marketing efforts in South Africa?
- A. Higher data payment rates
  - B. Low cellphone saturation due to poverty
  - C. Dispersed telecommunications infrastructure
  - D. More frequent access to computer technology
- 1.3 Industrial products include supplies and services, both of which can be divided into two further sub-categories. Which one of the following best represents the supplies and services for a large repairs and maintenance business.
- A. Stationery, legal services, computer system, advertising services
  - B. Office furniture, IT support, generators, legal services
  - C. Paper, vacuum cleaners, lift repairs, advertising services
  - D. Desks, window cleaning, consulting services, the office building

- 1.4 Amy is a telemarketer for a large medical insurance company, ReAssure Medical Insurance. Amy engages with prospective clients in order to expand ReAssure's customer base. Which of the following promotion tools would Amy's customer interaction be subsumed under?
- A. Public relations
  - B. Direct marketing
  - C. Personal selling
  - D. Sales promotion
- 1.5 The last two stages of the eight-step new-product development process are called:
- A. Test marketing and commercialisation
  - B. Product analysis and commercialisation
  - C. Product testing and commercialisation
  - D. Product development and test marketing
- 1.6 Of all the marketing-mix elements, price is the only element that:
- A. Contributes to market share
  - B. Is flexible
  - C. Creates customer value
  - D. Produces revenue
- 1.7 The variable costs for a clothing manufacturer can include different types of fabric, buttons and zips. These costs are called variable because:
- A. Different clothing items will have different variable costs.
  - B. The costs vary with the number of units produced.
  - C. The costs vary depending on the sales level.
  - D. The production process for each item varies.

- 1.8 When firms decide to cut their prices, they should also take into account possible reactions from competitors. Which one of the following scenarios would most likely draw a reaction from competitors?
- A. There are many buyers across the different market segments for the product.
  - B. There are many product providers in the industry.
  - C. The product involved is an alarm system.
  - D. The firm wants the whole industry to cut prices to increase demand.
- 1.9 Which one of the following components would a societal marketing concept take into account?
- A. Future consumer needs and welfare, as well as current business needs
  - B. Current business welfare and future consumer needs
  - C. Current consumer welfare and future business needs
  - D. Future consumer needs and future business welfare
- 1.10 Phishing is a form of illegal online fraud whereby:
- A. Telemarketers 'fish' through corporate e-mail directories for customer contacts
  - B. Deceptive websites steal data from unsuspecting Web users
  - C. Consumers are manipulated through false advertising practices on business websites
  - D. Direct marketers use email for micro-targeting efforts in order to gather new customer leads and contacts
- 1.11 The South African consumer market is typically:
- A. Highly wealthy
  - B. Highly diverse
  - C. Highly fussy
  - D. Highly homogenous

- 1.12 A vertical marketing system consists of:
- A. A channel of independent producers and retailers seeking to maximise individual profit
  - B. Producers, wholesalers and retailers acting as a cohesive whole in order to maximise channel profit
  - C. Wholesalers and retailers working together simultaneously to maximise group profit
  - D. Consumer preference dictating channel direction for producers in a top-down fashion
- 1.13 Dylan sees a new advert from Chickeeze Burgers, a popular fast-food franchise, about their new line of free-range chicken meal options. Dylan warms to this idea immediately, as he is environmentally and socially conscious. Which part of the communication process is Dylan engaging in?
- A. Feedback
  - B. Reception
  - C. Encoding
  - D. Response
- 1.14 Which of the following is foundational to a marketing approach featuring 'triple bottom line' accounting?
- A. Sales
  - B. Governance
  - C. Socio-political services
  - D. Economy
- 1.15 Sally Williams is known for manufacturing delectable nougat, Turkish delight, chocolate and cream liqueur. The nougat is available in almond, almond and cranberry, and macadamia flavours. This is an example of:
- A. Product mix depth
  - B. Product mix portfolio
  - C. Product mix length
  - D. Product mix width

- 1.16 Rest Assured, a large life insurance company, displays an interactive advertisement on their website that allows customers to click through it and decide on the outcome of a scenario involving a suburban family with a baby due soon. This is an example of:
- A. Moral appeal
  - B. Rational appeal
  - C. Positive appeal
  - D. Emotional appeal
- 1.17 Multi-channel distribution systems are primarily concerned with multiple means of:
- A. Parts production for final product
  - B. Consumer segmentation
  - C. Indirect sales to consumers
  - D. Product delivery to consumers
- 1.18 An unprompted advertisement appearing on a computer screen after a page has finished loading is known as a(n):
- A. Pop-up
  - B. Interstitial
  - C. Rich media display
  - D. Search query-related advertisement
- 1.19 Which one of the following represents the formula for break-even volume?
- A.  $\text{Fixed cost} / \text{Variable cost} - \text{price}$
  - B.  $\text{Variable cost} / \text{Price} - \text{unit cost}$
  - C.  $\text{Unit cost} / \text{Price} - \text{variable cost}$
  - D.  $\text{Fixed cost} / \text{Price} - \text{variable cost}$

- 1.20 The product life cycle (PLC) concept can be used to describe a product class, product form or brand. Which one of the following provides an accurate description of how the PLC applies to one of these different elements?
- A. Craft beer may have several periods of renewed interest during its PLC.
  - B. The PLC of a smart TV can change quickly because of competitors.
  - C. A Nokia Lumia will most likely follow the standard PLC shape.
  - D. Cellphones will stay in the mature stage of the PLC for a long time.
- 1.21 One of the dangers of using a market-skimming pricing strategy is that:
- A. A lack of competition forces the firm to lower prices
  - B. Customers view the brand as too expensive for the value provided
  - C. The costs of producing a smaller volume eat into profits
  - D. The separate market segments may not be identified accurately
- 1.22 Price ceiling is determined by:
- A. Customer valuations of the product price
  - B. The nature of market demand for the product
  - C. Customer perceptions of the product's value
  - D. The cost of the overall product marketing strategy
- 1.23 Mr Price started manufacturing hair colour products for ladies, offering more than 30 different popular colours. After a recent upgrade in their packaging, Mr Price had to increase their prices by 2.5%. The result was a drop in sales of 12%. This is an example of:
- A. Inelastic demand
  - B. Price sensitivity
  - C. An upward-sloping demand curve
  - D. Elastic demand

- 1.24 Segmented pricing involves selling a product or service at two or more prices, where the difference in prices is not based on differences in:
- A. Product form
  - B. Cost
  - C. Where the product is sold
  - D. Demand
- 1.25 Some firms, such as Game stores, focus on becoming the low-cost producers in their industry. These firms can:
- A. Manage the spread between sales volumes and prices because of lower costs
  - B. Set lower prices that result in smaller margins, but greater sales and profits
  - C. Set lower prices and improve sales because of lower risk exposure
  - D. Optimise the spread between costs and prices

## **SECTION B: DISCUSSION QUESTIONS**

**[55 MARKS]**

*Read the following case study and apply the case to the questions below when asked to do so. Reasonable assumptions may be made and other examples relevant to the same industry (i.e. clothing) can be provided. Please answer these questions in the answer book provided.*

### **ZARA – new options to grow business**

The Spanish based clothing retailer Zara (owned by Inditex) is known as an up-market brand and has been looking for new opportunities to grow their business in addition to the 49 markets they currently operate in. One way in which they are doing this is by expanding into emerging markets such as South Africa which they entered in 2014. Zara has stores in Cape Town, Durban and Johannesburg but is planning to expand to other areas. One of the main reasons Zara selected South Africa was that we have fashion-sensitive customers that match Zara's business concept of offering quality products at affordable prices. Customers love Zara's products because they often offer the customer something new which keeps customers coming back. On the other hand, Zara has not found it easy to enter the South African market. This is mainly due to lack of prime retail space to open stores which are already occupied by strong local brands such as Edgars, Truworths, Foschini and Mr Price. Some other international retailers such as Top Shop have overcome this by partnering with local in their stores in malls.



In 2018, Zara experienced backlash from South African consumers due to the brand “copying” local designer Laduma Ngxokolo design of socks. Zara has also received negative publicity from the Proudly South African group slamming Zara for not producing any of their products in South Africa as currently all their products are manufactured internationally. One way that Zara aims to overcome the negativity and still grow their brand is by developing an online store by 2020. They aim to use radio frequency identification technology (RFID) to ensure that stock management can support their online store. In addition, the brand aims to attract customers through their sustainability initiatives which includes reducing electricity and water usage by 50% and should be fully deployed in all stores by 2020. Zara also aims to provide new products and services to customers such as “pop-up customisation corners” in stores where customers can request their names to be embroidered onto the jeans they purchase at Zara stores or online. This is all in line with the current “names on things” trend happening worldwide.

Case study is adapted from:

Bizcommunity. (2018). Zara aims to go global with e-commerce by 2020. *Bizcommunity*. Available from: <https://www.bizcommunity.com/Article/196/462/181544.html>

Jadezweni, A. (2019). This is how Zara is planning on personalizing denim for all their unique customers. *W24*. Available from: <https://www.w24.co.za/Style/Fashion/Trends/this-is-how-zara-is-planning-on-personalising-denim-for-all-their-unique-customers-20190314>

Magwaza, N. (2012). Zara opens third SA store at V&A. *IOL Business*. Available from: <https://www.iol.co.za/business-report/economy/zara-opens-third-sa-store-at-v-and-a-1365607>

Rangongo, T. (2018). Proudly SA condemns Zara’s copy of local fashion brand, MaXhosa by Laduma’s work. *Business Insider SA*. Available from: <https://www.businessinsider.co.za/proudly-sa-condemns-zaras-copy-of-local-designers-work-2018-4>

SABC. (2017). SA fights to revive clothing industry. *SABC news*. Available from: <http://www.sabcnews.com/sabcnews/sa-fighting-revive-clothing-industry/>

## QUESTION 1

[6 MARKS]

Products and services compose of different levels and Zara is no exception. Briefly explain each of the product levels (1 mark) and apply to the case of Zara (or to the clothing industry) (1 mark).

- 1.1 Core benefit (2)
- 1.2 Actual product (2)
- 1.3 Augmented product (2)

## QUESTION 2

[7 MARKS]

The importance of internet has been on the rise and resulted in companies having to consider this new channel in their businesses.

- 2.1 Differentiate between click-only firms (2 marks) and click-and-mortar firms (2 marks).
- 2.2. From the case study above, state which type of firm would you say Zara is (1 mark)? Be sure to substantiate your answer (2 marks).

## QUESTION 3

[15 MARKS]

A company such as Zara has various pricing structures and has to use different pricing strategies. There are **five (5) different types of product mix pricing strategies** that they can chose from. Name and explain each of the product mix pricing strategies (2 marks) and provide a relevant clothing-retailer related example of each strategy (1 mark).

## QUESTION 4

[6 MARKS]

A firm should identify the types of channel members available to carry out its channel work. Firms are now creating alternative channels. Identify and explain the **three (3) types of channels** that are emerging in the business sector.

## QUESTION 5

[6 MARKS]

Distinguish between the following promotion-mix strategies and provide a relevant example relating to Zara (or the clothing industry) for each:

- 5.1 pull strategy (3)
- 5.2 push strategy (3)

## QUESTION 6

[9 MARKS]

As part of new product development, marketers need to ensure that they conduct tests before commercialising the product. List and explain the **three (3) different tests** available for marketers in the test marketing stage of the new product development process (6 marks). To show your understanding, provide examples applicable to Zara (or the clothing industry) for each test type (3 marks).

**QUESTION 7****[6 MARKS]**

7.1 Explain the following social criticisms of marketing on individual consumers:

- a) High prices
- b) High costs of distribution
- c) High advertising and promotion costs
- d) Excessive mark-ups
- e) Deceptive practices
- f) Harmful products

**TOTAL: 80****END OF PAPER**