



**The Association of Business Executives**

**NQF**

**Introduction to Marketing**

**Mark Scheme**

**Unit Title:** Introduction to Marketing

**Unit Code:** 5.01 IMKT

**Session:** June 2015

**Question 1**

**(a) [1.1]** Using an organisation of your choice, identify five stakeholders and explain their role within the organisation. **(10 marks)**

*Candidates should be awarded up to two marks per stakeholder and an additional 2 marks for relating the answer to an organisation of choice.*

Candidates are expected to identify five stakeholders and evaluate their role within their chosen organisation. The choice of stakeholders may vary but are likely to include some of the following:

**Customers** – customers have wants and needs that an organisation should try to satisfy with its products and services. A group of customers is the target market to which an organisation will make a product/service offering. Customers' needs and wants may change over time and it is important that an organisation's marketing activities change to continue to satisfy customer needs.

**Suppliers** - Suppliers are the companies that provide the materials, services and possibly labour to a organisation for the manufacture of its products. A organisation is therefore reliant on suppliers to provide good quality materials and services. If a supplier does not meet quality standards then this can have an adverse impact on the organisation's products and brand image and lead to dissatisfied customers who will then be likely to switch to competitor products.

**Intermediaries** – are the channels that distribute goods and services on behalf of a organisation; they can take the form of retailers, wholesalers or agents. It is therefore important that the organisation chooses intermediaries that provide the service levels required, as it is the intermediaries who will be dealing directly with the organisation's customers and therefore the service provided by the intermediary will reflect on the organisation's brand image.

**Competitors** – A competitor is another organisation that sells services or products to the same target market as the organisation. There are direct competitors, who produce products and/or services that the target customers may choose as an alternative to purchasing the organisation's products/services.

**Other stakeholders** – there are a range of stakeholders who either influence or are affected by the organisation's activities. Stakeholders can include financial institutions, shareholders, the general public, pressure groups etc. An organisation must therefore understand how its activities impact on its different stakeholder groups and the importance/effect or influence that the stakeholders may have or whether an organisation achieves its objectives.

**Maximum Marks for (a)                      10 marks**

**(b) [1.1]** Using examples, explain why it is important that an organisation understands and anticipates its customer requirements. **(15 marks)**

*Candidates should be awarded up to five marks per example.*

There are a number of explanations as to why it is important that an organisation understands their customers' requirements and examiners should use their judgement when marking scripts. Some suitable examples are listed below:

Understanding customer needs will help an organisation define new market opportunities and drive innovation and revenue growth in every aspect of the organisation.

Organisations that are able to meet the ever-increasing demands of their customers for lower, faster, better, and newer products will gain a competitive advantage while establishing a base for repeat business leading to greater profit margins.

An organisation who does not know what their customers want will deliver subpar experiences at least some of the time no matter how well they do everything else. This will result in their customers going elsewhere. In addition they will fail to grasp opportunities to satisfy or delight their customers, and will miss otherwise obvious opportunities to increase customer value.

**Maximum Marks for (b) 15 marks**  
**Total Maximum Marks for Q1 25 marks**

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## Question 2

**(a) [3.3]** As the marketing manager of a sports brand, identify and explain three factors that you will need to take into account when selecting advertising media. **(9 marks)**

*Candidates should be awarded up to three marks per explanation.*

### Target Market:

Marketers will need to consider who their target market is, who is interested in purchasing the product or service, and the specific demographics of this consumer (age, employment, sex, attitudes, etc.) This information will be used to shape the advertising message which will then help in selecting the most appropriate advertising media.

### ROI:

Marketers will need to have an understanding of the relationship between advertising expenditures and the impact of any advertising campaign on the product or service purchase. This will indicate how much profit is likely to be earned for as a result of advertising spend which will then help base the decision as to which media is more relevant.

### Reach:

Marketers need to consider which media will be the most useful in reaching the target consumer. Small or medium sized businesses may choose to utilise the internet as a more effective (and cost effective) way of reaching customers over more traditional advertising such as print and radio.

**Maximum Marks for (a) 9 marks**

**(b) [3.3]** Outline an advertising campaign for the sports brand above by describing the product, identifying the target market and suggesting how the success of the campaign can be measured. **(16 marks)**

*Candidates should be awarded up to three marks per point made.*

### Product:

The product is a new sports shoe which doubles as a pair of running shoes but can also be used for hiking. The target market will be existing customers, potential customers who are interested in outdoor pursuits, early adopters and opinion leaders and athletes.

### Advertising objectives:

- To raise awareness and generate sales of the new product.

### Reason for the choice of media:

- TV advertising will be used due to its ability to reach a mass audience. The sports brand will be better able to reach targeted audiences by purchasing ad spots during shows their intended demographic is likely to be watching such as sports events. In addition the visual nature of TV will allow the product to be effectively demonstrated and understood.

### The effectiveness of the message:

- Creating a message which potential customers will find interesting, will relate to and find easy to understand
- Define a value proposition, create a reason to choose the product over competitors
- Creating a simple message using visuals which are easier to understand

Measuring the success of the campaign:

- Measure whether there is increased attention being devoted to the brand, either in social media or in customer inquiries and this is an indication of how effective an ad is.
- Compare sales of the product prior during and after the advertising campaign. Advertising often has a delayed effect and can then grow steadily, so sales that result from ads may not materialize immediately.

**Maximum Marks for (b) 16 marks**

**Total Maximum Marks for Q2 25 marks**

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**Question 3**

**(a) [4.3] Explain five ways in which personal selling can contribute to effective marketing. (10 marks)**

*Award up to two marks per explanation.*

Five ways in which personal selling can contribute to effective marketing are as follows:

One of the most significant contributions personal selling makes to marketing is to try to persuade the customer to make a purchase decision. Personal selling influences the whole decision-making process, e.g. by providing information, answering queries and concerns, and calling the customer to action, thus supporting other elements of the communications mix. For example, a sales person will actually ask a customer for an order, possibly with an additional incentive such as early delivery, etc.

Personal selling is able to build two-way communication with customers, thus building a relationship with them. By building this relationship, customers will develop trust in the organisation's communications and products, and are less likely to switch to competitors or be influenced by competitor activity.

Some organisations, such as those within the I.T. industry, have complex products; and personal selling is able to complement other elements of the marketing mix by enabling customers to gain a deeper understanding of the benefits of the product. It is very hard for an organisation to use other elements of the communications mix to explain complex product features, and often the benefits are not fully understood by customers, so personal selling plays an important role here.

As the sales force has two-way communication with its customers and a direct relationship with the decision-making unit (i.e. the buyers, the users, etc.), it is able to gain a very deep understanding of the customers' needs and any problems they may experience in using the product. The sales force will also understand its customers' businesses and will therefore be able to anticipate future needs and often be able to gather vital information on competitor products and activity from its customers. This information is invaluable to an organisation in developing its marketing mix, and the sales force can ensure this information is fed back to the appropriate internal personnel.

Personal selling adds significant value to the organisation's marketing mix, as it 'brings to life' the organisation and its products, therefore assisting in building and sustaining a brand image in the eye of the customers.

**Maximum Marks for (a) 10 marks**

**(b) [4.3] Define five attributes and / or skills you would expect an effective sales person to possess. (15 marks)**

*Candidates should be awarded up to three marks per attribute/skill mentioned.*

Communication:

One of the main objectives of personal selling is to communicate with the organisation's customers; therefore the sales person must have good communication skills, such as good body language, good listening skills and good presentation skills.

Negotiation:

A key aspect of concluding a sale is having good negotiation skills. The sales person will need to be a good negotiator, ensuring that the organisation and the customer are pleased with the result of any sale.

Prospecting:

Sales people will often be required to find new avenues of business and develop new contracts. Prospecting skills such as networking, monitoring the industry (e.g. radio trade press), etc. are required.

Product knowledge:

It is vital that the sales person has good product knowledge, so that they are able to answer customer queries, explain the benefits of the product to their customer etc.

Personal Appearance:

The image of the sales person will have a direct impact on the brand and/or product they are trying to sell. Therefore it would be expected that a sales person maintains a good level of personal grooming, is always smartly dressed and appropriately dressed for the industry they are operating in, has well-organised samples and paperwork, etc.

<b>Maximum Marks for (b)</b>	<b>15 marks</b>
<b>Total Maximum Marks for Q3</b>	<b>25 marks</b>

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**Question 4**

**(a)** Outline the stages in the consumer buying process. **(12 marks)**

*Candidates should be awarded one to three marks for each stage of the buying process.*

The stages in the buying process and the factors which influence buying behaviour.

Attention – The first stage of the buying process. A salesperson's job is to catch the prospect's attention well enough to get them to listen further. Some versions of AIDA refer to the first stage as 'Awareness,' meaning that the prospect becomes aware of options.

Interest – To bump prospects to the second stage, a salesperson must develop their Interest in the product or service. This is usually where benefit phrases come heavily into play. Many marketers successfully use storytelling in their direct mail packets to get their prospects interested.

Desire – In the third stage, prospects realize that the product or service is a good fit and will help them in some way. Salespeople can bring prospects to this point by going from general benefits to specific ones, often using information uncovered during earlier stages to fine-tune the sales pitch.

Action – The fourth stage occurs when the prospect decides to take Action and become a customer. If the salesperson carried their prospect through the first three stages and responded appropriately to any objections, this stage often follows naturally. If not, the salesperson may need to prompt a prospect to act by using closing techniques.

**(b)** Identify and explain three potential buying signals that a customer might display to suggest they are interested in a product. **(13 marks)**

*Candidates should be awarded one to two marks for each of the buying signals.*

**Buying Signals:**

Consumers who ask questions is an encouraging sign, if a prospect wasn't interested at all they wouldn't bother asking you questions. But certain questions send a particularly strong statement of interest. These are generally questions that indicate the prospect is imagining himself owning the product, for example 'what temperature should this dress be washed at?'

Another strong buying signal would be when a prospect asks the sales represent to repeat something or digs for more information. For example, he might say "Can you tell me more detail about that last feature?"

Objections are often a buying signal, although not as powerful. When a prospect makes an objection, it means he's considering buying but is concerned about one or more aspects of the purchase. Questions like "What if I'm not satisfied with the product?" or statements like "I can't afford this" mean that you've at least started to pique the prospect's interest.

If a prospect says something like, "That feature sounds fantastic," or "This would work really well with our existing systems," it's a strong statement of interest.

When one person asks permission of another, this is a buying signal. This can happen verbally or nonverbally. The reason a person initiates the "what do you think?" is because he thinks it makes sense to move forward but wants reassurance from another person.

Customers who return to the store or contact the store multiple times are likely to be interested in buying a product.

**Maximum Marks for (b)                      13 marks**  
**Total Maximum Marks for Q4            25 marks**

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**Question 5**

**(a) [6.2]** You are due to attend a job interview for the position of a marketing assistant in a bank. Identify and explain three reasons why it is important that you are well-groomed for your interview. **(10 marks)**

*Candidates should be awarded between three and four marks per reason given depending on the quality of the answer given.*

Creating a good first Impression

Appearance plays a very important role in creating a good first impression, many of which are nonverbal, and dress and grooming are key among them. The first 30 seconds can make or break an interview. If the hiring manager notices poor grooming, it may be hard to recover from that first impression, no matter how well the candidate answers their questions.

Attention to detail

Good grooming is an indication to the interviewer that the candidate pays attention to detail, and that they can take care of themselves. If a candidate doesn't take the time to look after their own basic hygiene or dress appropriately that sends a signal that they will not make an effort as an employee. Good grooming is especially important in a customer facing role such as sales and marketing.

Self Esteem

Good grooming demonstrates self-esteem and confidence. These are highly desirable qualities in an employee. All organisations are looking for candidates who have the confidence to represent themselves well. That gives the impression that they will be decisive and effective as an employee.

**Maximum Marks for (a)                      10 marks**

**(b) [6.3]** Identify and explain three important techniques you should use when being interviewed for the position above in order to help you secure the role. **(15 marks)**

*Candidates should be awarded up to three marks per explanation.*

Identifying Needs/ Preparation

When a marketer attends an interview, it is the interviewers that are the customers. Therefore the principle of understanding customer needs and wants applies during interview situations. The marketer must spend time preparing for the interview so that they can demonstrate how they are able to fulfil the wants and needs of the interviewer.

Prior to the interview the candidate should research information about the organisation so that they have a better understanding of what challenges or changes the organisation has recently been through, and how it may impact the position being advertised.

Communication

Body language and facial expressions inform an employer how engaged a candidate is in conversation and how interested they are in the opportunity. The candidate should smile, exhibit confidence, and listen carefully so they can respond appropriately and know how to build on the conversation.

Good communication skills are both verbal and non-verbal, and the marketer must use good verbal techniques such as speaking clearly and slowly, and asking for clarification of any questions, etc., as well as non-verbal techniques such as the use of positive and attentive body language and making eye contact to show attention and interest in the interviewer.

Building Relationships:

A marketer will understand the importance of relationship-building in order to develop a relationship of trust, and this still applies between a marketer and his interviewer. Therefore the marketer must use techniques to try to establish a dialogue and build a relationship with his interviewer in a very short period of time. This can be achieved by creating a good first impression, ensuring appearance is good and using good body language, making eye contact and shaking hands.

<b>Maximum Marks for (b)</b>	<b>15 marks</b>
<b>Total Maximum Marks for Q5</b>	<b>25 marks</b>

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**Question 6**

**(a) [2.1]** Describe the four elements of the marketing mix. **(8 marks)**

*Award up to two marks per description supplied.*

The four elements of the marketing mix (4Ps) are known as:

Product – a product is something that is purchased by a customer that satisfies the needs and wants of that customer. A product has tangible features; however, a product can also have intangible features, for example service elements such as ‘after sales customer care’.

Promotion – this is the communications element of the marketing mix; the promotional mix includes: advertising, sales promotion, public relations, personal selling and direct marketing.

Price – this is the amount of money a customer will pay for a good or service, and therefore represents the value of the perceived benefits. Price is the only element of the marketing mix to generate a revenue

Place – this relates to the way an organisation distributes a product to its customers, therefore it includes not only the physical location where the product can be purchased, but also includes added-value services such as delivery, stock levels, order processing.

People – All companies are reliant on the people who run them from front line sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services offered.

Processes –A process needs to be clearly defined for the service provider. This basic process should ensure the same level of service delivery to every customer, at any time of day, on any day. Within this process, there should be defined areas where a customer preference can be accommodated to provide a unique experience.

Physical Evidence – Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible. For example a hair salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material. Even if the material is not physically printed (in the case of PDF's) they are still receiving a "physical product" by this definition.

**Maximum Marks for (a)                      8 marks**

**(b) [2.1]** Using an organisation of your choice, demonstrate how the marketing mix should be applied. **(17 marks)**

*Candidates should be awarded one mark for a brand example and four marks for each P explained.*

The organisation/brand that I shall use to demonstrate an application of the marketing mix is Mars, who make a range of confectionary products such as to include sweets, drinks and ice cream.

Product:

The core products are consumer products with physical and tangible features such as packaging, foodstuff/ingredients, labelling etc.; however, the manufacturer differentiates its products from its competitors' by developing the symbolic/psychological attributes of the product, which include the perception of a premium product with quality ingredients. This creates a unique positioning for the Mars brand in the eyes of the consumers, resulting in loyal consumers who trust the brand and are willing to pay a premium price.

Price:

Being consumer products, the products are fairly price-sensitive; and Mars have to take into account the prices charged by their competitors such as Nestle when making their pricing decisions. They also need to consider other costs such as retail mark-up.

Promotion:

Mars products are aimed at the mass market and therefore its communications strategy needs to reflect this by achieving a wide reach. Mars uses above the line strategies to create a pull for their products through advertising on mass media such as television, magazines and bill boards. As the brand has become more recognisable and established Mars have been able to reduce the amount of advertising they do due to the customer loyalty they have created.

Place:

To reach a large number of customers and achieve economies of scale Mars have used an intensive distribution strategy to gain the widest coverage possible. Therefore an indirect distribution strategy is used, as Mars would not have the resources themselves to distribute directly to such a large number of customers and the costs would be too high. Mars uses intermediaries therefore such as supermarkets, newsagents to distribute their products.

**Maximum Marks for (b)                      17 marks**  
**Total Maximum Marks for Q6              25 marks**



**(a) [1.4]** Using examples, identify and explain **four** of the six factors that influence an organisation's macro-environment. **(12 marks)**

The six main factors that influence an organisation's macro environment are known as **PESTLE** factors:

Political  
Economic  
Social  
Technological  
Environment  
Legal

Political factors

Influences such as a change of government in a country, resulting in a change in legislation, e.g. trading regulations or taxation policies that could affect not only how an organisation operates but the markets it is able to operate in.

Economic factors

Influences related to the economy, such as interest rates or inflation. Changes in interest rates could affect an organisations net profit margin if it is borrowing money or selling products on credit.

Social factors

Influences relating to the lifestyles and culture of the customers that makes up an organisations market, such as its demographic profile, lifestyle and attitudes. Customer's attitude towards environmentally-friendly products is an example.

Technological factors

Developments in technology that influence buyer behaviours or decision-making. The most recent example is the large growth in on-line purchasing, resulting in many organisations developing websites to provide consumers with information on their products and allowing them to order on-line.

Legal

There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labour laws etc.

Environmental

These factors include all those that influence or are determined by the surrounding environment. This aspect of the PESTLE is crucial for certain industries particularly for example tourism, farming, agriculture etc. Factors of a business environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets etc.

**Maximum Marks for (a)                      12 marks**

**(b) [1.4]** Using an organisation of your choice, demonstrate how its market has been influenced by the four factors that you have identified above. **(13 marks)**

*Candidates should be awarded one mark for an example, and up to three marks for each point demonstrated.*

The product I will use to demonstrate the effect of PEST factors in the fashion industry:

Political Influences:

The fashion industry is influenced by different legislation in different countries. For example, a fashion organisation may be selling or developing clothes with different designers from different countries, therefore the contracts between the fashion organisation and the designers may differ in each country as the contract will be bound by the countries respective laws of contract/doing business.

Economic Environment:

The fashion industry is a global industry and fashion companies export their products world-wide. In many countries the 'sales/retail' price is often pre-set and therefore the music organisation is very sensitive to changes in exchange rates between countries. A significant change in an exchange rate can mean that the fashion organisation's profit margin is reduced by an increase in the cost of exchanging monies.

Social Environment

Fashion is greatly influenced by culture and fashion. To develop clothes the fashion industry must have a detailed understanding of the culture and attitudes of its target market. Should an organisation be seen to act in a way that is contrary to the culture, such as using child labour, then this can directly affect the sales.

Technological Environment

Changes in the technological environment have had a major impact on the fashion industry and the way it distributes its products. The internet has allowed individuals to shop from anywhere in the world. It has also allowed more people to distribute their products world-wide to include individuals selling their own products. As a result competition has increased.

**Maximum Marks for (b)                    13 marks**  
**Total Maximum Marks for Q7        25 marks**

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**Question 8**

**(a) [2.3]** Identify and explain two pricing strategies that an organisation may use in order to sell a new product. **(10 marks)**

*Candidates should be awarded three to four marks per example supplied depending on the quality of the answer.*

Penetration

Penetration pricing is a pricing strategy where the price of a product is initially set at a price lower than the eventual market price, to attract new customers. The strategy works on the expectation that customers will switch to the new brand because of the lower price. Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than to make profit in the short term. The price will be raised later once this market share is gained.

Price skimming

Price skimming is the practice of selling a product at a high price, usually during the introduction of a new product when the demand for it is relatively inelastic. This approach is used to generate substantial profits during the first months of the release of a product, usually so that a organisation can recoup its investment in the product. However, by engaging in price skimming, a organisation is potentially sacrificing much higher unit sales that it could garner at a lower price point.

Cost-Plus

Cost plus is a cost-based method for setting the prices of goods and services. Under this approach, you add together the direct material cost, direct labour cost, and overhead costs for a product, and add to it a mark-up percentage (to create a profit margin) in order to derive the price of the product. Cost plus pricing can also be used within a customer contract, where the customer

reimburses the seller for all costs incurred and also pays a negotiated profit in addition to the costs incurred.

**Maximum Marks for (a)                      10 marks**

**(b) [2.3]** Identify and explain two advantages and two disadvantages of each pricing strategy you have identified in **(a)**. **(15 marks)**

*Candidates should be awarded up to five marks per pricing method discussed.*

### **Penetration**

#### **Advantages**

Market Penetration: Penetration pricing can result in fast diffusion and adoption. This can achieve high market penetration rates quickly. This can take the competitors by surprise, not giving them time to react and potentially eliminating them from the market.

Market dominance: It is possible to achieve a dominant market position with this strategy, though the penetration pricing may have to continue for a long time in order to drive away a sufficient number of competitors to do so.

Creates goodwill: Penetration pricing can create goodwill among the early adopters segment. This can create more sales through word of mouth.

#### **Disadvantages**

Branding defence: Competitors may have such strong product or service branding that customers are not willing to switch to a low-price alternative.

Customer loss: If an organisation only engages in penetration pricing without also improving its product quality or customer service, it may find that customers leave as soon as it raises its prices.

Perceived value: If an organisation reduces prices substantially, it creates a perception among customers that the product or service is no longer as valuable, which may interfere with any later actions to increase prices.

Price war: Competitors may respond with even lower prices, so that the organisation does not gain any market share.

### **Skimming**

#### **Advantages**

Cost recovery: If an organisation competes in a market where the product life span is short or the market niche is small, price skimming may be the only viable method available for ensuring that it recovers the cost of developing products.

Dealer profits: If the price of a product is high, then the percentage earned by distributors will also be high, which encourages them to carry the product.

Quality image: An organisation can use this strategy to build a high-quality image for its products, but it must deliver a high-quality product to support the image created by the price.

#### **Disadvantages**

Competition: There will be a continual stream of competitors challenging the seller's extreme price point with lower-priced offerings.

Sales volume: An organisation that uses price skimming is limiting its sales, which means that it cannot lower costs by building sales volume.

Consumer acceptance: If the price point remains very high for too long, it may defer or entirely prevent acceptance of the product by the general market.

**Maximum Marks for (b)                      15 marks**

**Total Maximum Marks for Q8              25 marks**