



ASSIGNMENT MEMORANDUM

**SUBJECT : ADVANCED STRATEGIC MARKETING:
THEORY & PRACTICE 4 (ASM401)**

ASSIGNMENT : 2ND SEMESTER 2011

References are to the prescribed textbook: Walker, O.C., and Mullins, J. 2011.
Marketing Strategy: A Division-focused Approach. 7th edn. McGraw-Hill.

QUESTION 1

[13]

Walker & Mullins 2011: Chapter 2

- a. Diversification into related businesses (concentric diversification) **(1)**. The benefits include knowledge of products and customers related to the company's original area **(1)**. Also, distribution may be similar **(1)**. There may be promotional synergies as well **(1)**.
- b. The benefits would include influence over the pricing and quality of a source of product **(2)**.
- c. A tobacco company's acquisition of a beer company.
Concentric diversification **(1)**. Both are discretionary products taxed by government. Distribution is not identical but may be similar, providing some efficiencies **(2)**.
- d. Conglomerate diversification **(1)**. The different industries have unrelated business cycles so that a downturn in one should not mirror a downturn in the other. Motivation is primarily financial **(3)**.

QUESTION 2 [15]**Walker & Mullins 2011: Chapter 4**

Rivalry among present competitors – this should intensify as companies try to maintain their economies of scale and justify the large capital requirements. Securing distribution in the auto industry has been difficult due to the capital requirements for retailers. (3)

Threat of new entrants – the rivalry should present newcomers with serious obstacles to entry. One successful strategy has been to penetrate the potential entrants' home market then enter new foreign markets. (3)

Bargaining power of suppliers – in the auto industry, suppliers are relatively weak since they depend on manufacture orders to succeed. They tend to be dependent on the manufacturer; witness Toyota's power in selecting suppliers and demanding a difficult to achieve level of quality. (3)

Bargaining power of buyers – with the exception of fleet buyers, buyers have little power. In a good economy, this factor is minor. Buyers may select alternative brands based on standard pricing offers. Negotiation is present but not significant. In bad times, manufacturers are willing to offer lower prices, but negotiation is still minor. (3)

Threat of substitute products – with the exception of different forms of automobiles and trucks, including styles and power options (like natural gas and electric), direct substitutes are minor. Public transportation or other forms of motor vehicles like motorcycles are potential competitors. (3)

QUESTION 3 [7]**Walker & Mullins 2011: Chapter 6**

- Market segmentation is the process by which a market is divided into distinct subsets of customers with similar needs and characteristics that lead them to respond in similar ways to a particular product offering and marketing program. (2)
- Target marketing requires evaluating the relative attractiveness of various segments in terms of market potential, growth rate, competitive intensity, and other factors and the firm's mission and capabilities to deliver what each segment wants, in order to choose which segments it will serve. (2)
- Brand positioning entails designing product offerings and marketing programs that can establish an enduring competitive advantage in the target market by creating a unique brand image, or position, in the customer's mind. (2)

These three decision processes – market segmentation, target marketing, and positioning – are closely linked and have strong interdependence. (1)

QUESTION 4 [10]**Walker & Mullins 2011: Chapter 7**

4.1 Determinant product attributes are important to customers in a given target market. They comprise the set of attributes that define the 'product space' in which positions of current offerings are located. Consumers use them to evaluate the relative merit of each offering. (3)

- 4.2
- a. A cruise liner
Comfort and excitement
 - b. A laptop computer
Capabilities or ease of use
 - c. French wine
Vintage (a measure of the wine's value to oenophiles)
 - d. Women's sportswear
Style or comfort
 - e. A hospital
Specialties like cardiac care, trauma care, cancer treatment, obstetrics.
 - f. A liberal arts college
A quality education with sufficient breath
 - g. A tractor
It can pull!
- (7)

QUESTION 5 [7]**Walker & Mullins 2011: Chapter 9**

The text indicates three main objectives for share leaders: (1)

- First, the firm must *retain its current customers*, ensuring that those customers remain brand loyal when making repeat or replacement purchases. (2)
- Second, the firm must *stimulate selective demand among later adopters* to ensure that it captures a large share of the continuing growth in industry sales. (2)
- Third, there is another objective: stimulating primary demand to help speed up overall market growth. (2)

QUESTION 6 [16]**Walker & Mullins 2011: Chapter 11**

The term 'new-economy' signifies industries that fuel the development of or participate significantly in electronic commerce; the development of the Internet, market computer

hardware and software or provide any of the growing array of telecommunications services. **(5)**

Long-term prospects of doing business in the new economy are enormous. Growing market acceptance of the Internet and other new-economy technologies and the inherent advantages that they bring suggest that every company needs to examine how it will be affected by and can take advantage of these new technologies. Outcome of such an examination should be the development of one's own new-economy strategy. **(5)**

Marketing managers should engage the following questions:

- Does the company need a new-economy strategy? **(1)**
- Do the technological advances of the new economy represent threats or opportunities? **(1)**
- How should marketers address the development of strategies to take advantage of – or defend against – the rapid pace of change inherent in the new economy? **(2)**
- What marketing roles can the Internet and other recent and future technological developments play, and which of these should be pursued? **(2)**

QUESTION 7

[22]

Walker & Mullins 2011: Chapter 13

7.1 Answers should focus on profitability analysis. The text offers:

Profitability analysis: **(6)**

- Determine costs associated with marketing activities to find out the profitability of such units as different market segments
- Products and their contribution to profit
- The profitability of individual customer accounts
- Profitability of alternative distribution channels.

The system should be designed to collect data in these four areas. Students may also address the following limitations.

Limitations: **(4)**

- Many objectives can best be measured in non-financial terms
- Profit is a short-term measure and can be manipulated by taking actions that prove dysfunctional in the long-term
- Profits can be affected by factors over which management has no control.

7.2 In general information such as the cost of serving customers, distribution channels, as well as marketing and manufacturing costs of the various products the company produces. The result will be a customer by customer, product by product metric to assess profitability. **(4)**

7.3 Since the dashboard is aimed at top management, the question of for whom the metric should be designed is already answered **(1)**.

The dashboard should concentrate on the profit generated at the following levels.

- Geographical areas – regions, counties, and sales territories **(1)**
- Product, package size, and grade **(1)**
- Customer – by type and size **(1)**
- Channel intermediary – such as type and/or size of retailer **(1)**
- Method of sale – mail, phone, channel, Internet, or direct **(1)**
- Size of order – less than R20, R20-R200, and so on **(1)**.

An array of such metrics can aid top management in identifying patterns of profitability and trouble spots that need attention **(1)**.

PRESENTATION

[10]