



ASSIGNMENT MEMORANDUM

**SUBJECT : BUSINESS-TO-BUSINESS MARKETING (BBM)
BUSINESS-TO-BUSINESS MARKETING (BBM001)**

ASSIGNMENT : 2ND SEMESTER 2011

References are to Dwyer, F.R., and Tanner, J.F. 2009. *Business Marketing: Connecting Strategy, Relationships and Learning*. 4th edn. McGraw-Hill.

QUESTION 1 [50]

This question needs to be answered comprehensively. The marker to use own discretion when allocating marks. Pricing strategy is a very broad topic and includes a complex array of price determinants. A drawing of the model is not enough to answer this question, but should be included in the answer as a reference point for topics of discussion. The model can be found on p. 402 of Dwyer & Tanner (2009) and should form the basis for the structure of the student's answer.

Additional marks can be allocated for lateral thinking and inclusion of thoughts and ideas from the extract provided.

A logical sequence for the answer would include:

An introduction to price and its fundamental importance as it is the only mix element that actually generates income. But, before any pricing decisions can be undertaken it is important that the factors influencing price are understood. These factors can be illustrated by a diagram of the model.

The factors to be included are:

- **Demand factors**
 - Elasticity of demand
 - Cross elasticity
 - Customer value perceptions

- **Cost factors**
 - Costs now
 - Anticipated costs
 - Economic objectives
- **Competitive factors**
 - Structure of competition
 - Barriers to entry
 - Intent of rivals
- **Strategy issues**
 - Target market selection
 - Product positioning
 - Price objectives
 - Marketing programme
- **Trade factors**
 - Power in the channel
 - Traditions and roles
 - Margins
- **Legal factors**
 - Vertical restrictions
 - Price discrimination
- **Evaluation and formulation of price and policy.**

Each of the above points can be further discussed and marks can be allocated to students who have taken the time to explain each of the above factors and more importantly if they have given practical examples and not just academic theory.

Pricing must be presented as a strategy as opposed to something that just happens. An understanding that pricing decisions have to be adapted to a variety of situations and market segments is extremely important. This calls for a systematic and well-planned approach that will lead to an acceptable range of price levels. A systematic approach should lead to a more reasoned and complete picture of available pricing options. An element of analysis of the pricing environment and price determination should be discussed in addition to the external and competitive factors.

There are also many internal factors affecting pricing that may be worth mentioning. These would include: company objectives and strategies; costs (including fixed and variable costs); economies of scale; price escalations; and the cost of implementing various pricing schemes across all communication channels.

A core issue of pricing is the impact of price on demand and sales volume. Price-volume relationships relate to basic supply and demand theory and include the effect of branding and stages in the PLC on demand. Recognition has to be given to students who include this type of lateral thinking in their answers. The effect of the competitive environment on competitive activity is also important, including the structure of the market, level of market concentration and the existence of competitive advantage. The channel environment, legal environment,

consumer pricing regulations and the international setting are also key issues in the determination of price.

Pricing objectives, in line with company objectives, strengths and weaknesses, exploit the possibilities of the market-place. They can be classified in a number of ways and they provide overall guidance for pricing decisions. Having set the pricing objectives and goals the next step is how these may be achieved. Pricing strategies can be mentioned, but are not required as an answer to this question. However, students who have included pricing strategy in their answers can be awarded additional marks for their effort.

Pricing is an extremely important decision in developing marketing strategies. Pricing is essential to the overall profitability of the organisation. Effective pricing, however, requires a systematic approach starting with a review of the environmental factors that prevail and the setting of objectives from which the pricing strategy can be developed and adjusted as necessary.

Additional topics that may be included are:

- Supply and demand with inelastic and elastic pricing relating to price sensitivity
- The nature of competitive markets
- Channel pricing
- Product line pricing
- Pricing systems.

(50)

QUESTION 2 [30]

This question must be presented as a PowerPoint presentation of no more than 10 slides. An additional 10 marks can be allocated for good presentations. Use the following table to mark the overall presentation of the slide show:

Good use of colour	1
Within the prescribed length of 10 slides	1
Good use of eye-catching images	1
Inclusion of KFC and Yum brand	2
Concise points – not too much text	1
Logical flow of information	1
Contact number included	1
A summary slide	1
Cover slide and end slide	1

(10)

These are the key points that should be covered in the proposal:

- Customer satisfaction measures are a distinct communication tool with remarkable potential to decrease price sensitivity and impact retention.
- Satisfaction surveys assess performance on many elements from many levels in the customer organisation and even other downstream customers.

- To presume that no news from customers is good news puts a company in a precarious position.
- Proactive satisfaction measures are necessary because many customers don't take the time to register complaints with a supplier and allow problems to be addressed.
- Satisfaction surveys can be done by web, telephone, or mail. The nature of the KFC customer and the geographic locations of the existing stores must be considered when selecting the means to communicate.
- There are four major types of information that will need to be captured in the survey:
 - Overall satisfaction (intention to repurchase, willingness to recommend, likeliness of a sustained relationship).
 - Measuring of satisfaction with specific aspects of the relationship using a battery of questions.
 - Use of open-minded questions to invite customers to express issues not covered in the structured portion of the survey.
 - The survey needs to ask for important classification data.
- An in-depth analysis of the data must be proposed ranging from overall to product and service specific.
- A time frame for the survey should be specified. **(20)**

QUESTION 3

[10]

Businesses-to-business marketers have traditionally been slower to embrace the web than consumer marketers.

- 3.1 A general discussion that shows an understanding of what web and mobile marketing is and how it can be used as either a stand alone communication channel or as a channel combined into an overall communication mix. Both enable interactivity, opening doors to new levels of connectedness with customers. **(3)**
- 3.2 Advantages are many. A good example must be given along with any of the following advantages:
- Electronic and speedy in gathering and effecting information and transactions
 - Internet allows people to avoid travelling
 - Internet is available all day everyday
 - Information and services available at lower cost
 - Allows for customisation of offers
 - Can reach a wide variety of people worldwide at the same time
 - Quicker response to trends
 - Easy comparisons for consumers
 - Lower distribution costs for marketers
 - Better customer service. **(5)**
- 3.3 Yes in some ways, but web is a much more effective media when combined in the overall marketing communication mix. Traditional marketing is not as interactive and cannot deliver the same advantages that web can. In cyberspace the store is always open. There has been a move towards web and mobile marketing simply because of

cost, speed to market and response times. As a result, traditional direct mailing has become a less obvious choice for marketers as it is expensive and requires a lot of planning and resources to manage. Any discussion along these lines is acceptable as an answer as long as the answer is logical. **(2)**

PRESENTATION

[10]