ASSIGNMENT MEMORANDUM

SUBJECT : PRODUCT MANAGEMENT (PM)

ASSIGNMENT : 2ND SEMESTER 2010

SPECIFIC INSTRUCTIONS:

The following memorandum outlines the basic topics that should have been covered in the student’s answers to the assignment. The memo does not cover every possibility and the marker is to use his/her discretion when allocating marks based on the quality of the student’s answers. In addition, students do not have to cover every point identified in this memorandum – it serves as a guide only. As stated previously, marks are allocated based on the student’s comprehension of the work and insight shown through his/her examples and practical applications.

Take note that 10 marks are allocated to presentation. This includes the following elements:

- Length
- Spelling checked
- Structure
- Use of headings and paragraphs
- Logical development of answers.


QUESTION 1 [20]

Refer to Lehmann & Winer, 2005, pp. 115-118, Chapter 5.

Students had to explain how the product manager for Nutri-Grain should assess its competitor’s current product strategies with specific reference to:

- Marketing strategy components
- Comparing value chains
- Marketing mix

They should have applied each factor that they discussed to Nutri-Grain.
The theoretical issues could have been outlined but the focus should have been on giving a detailed practical application.

It was necessary to conduct further research into this topic in order to give a complete answer. They could have researched some of Nutri-Grain’s competitors to provide greater insight.

**Total = 20 marks**

**Marketing strategy components**
- Marketing strategy can be thought of in three major components: target market selection, core strategy, and implementation.
- Target markets refer to the markets being pursued by the competitor.
- Core strategy focuses on the claimed differential advantage. Positioning is also considered.
- Differential advantage can be based on price/quality or product features.
- Differential advantages can be perceived rather than actual.

**Comparing value chains**
- The value chain is used to compare a brand or company’s strengths and weaknesses against each other.
- Differentiation can be obtained through efforts of the entire company, not just marketing alone.
- Differentiation can be obtained through:
  - Inbound logistics
  - Operational advantages
  - Outbound logistics
  - Marketing and sales
  - Service.

**Marketing mix**
- The marketing mix provides insight into basic strategy and specific tactical decisions of the competitor.
- The customer sees the marketing mix decisions in the market place – on the shelf as it were.
- The key elements that need to be considered include:
  - Product
  - Price
  - Promotion
  - Place.

**How to assess competitor’s strategies**
- Distinguish between industrial and consumer products.
- Track competitor’s brochures, advertisement in print and electronic media.
- Observation of competitor’s products in a retail outlet can provide much information.
- Being a customer or stockholder of a competitor’s products can provide a lot of information.
QUESTION 2

Refer to Lehmann & Winer, 2005, pp. 78-84, Chapter 4.

Students had to discuss, in detail, the category factors that will determine the category attractiveness for Nutri-Grain. They should have applied each factor that they discussed to Nutri-Grain.

5 marks for the explanation of each of the following factors:
- the threat of new entrants
- the bargaining power of buyers
- the bargaining power of suppliers
- the amount of intra-category rivalry

5 X 4 = 20

3 marks for the explanation of the threat of substitute products
3 X 1 = 3

2 marks for the explanation of capacity
2 X 1 = 2

Whilst it was important to briefly explain the theoretical issues, the bulk of the answer should focus on the practical application. Students had to address all aspects and explain the implications of the points made in their analysis.

It is extremely important that the students discussed their answer from the perspective of how each factor will influence the operations and marketing of Nutri-Grain and hence influence the attractiveness of the category.

Total = 25 marks

1. The threat of new entrants
   - Economies of scale
   - Product differentiation
   - Capital requirements
   - Switching costs
   - Distribution.

2. Bargaining power of suppliers
   Some conditions that occur when buyer bargaining power is high, include the following:
   - When the product bought is a large percentage of the buyers' costs
   - When the product bought is undifferentiated
   - When the buyers earn low profits
   - When the buyer threatens to backward integrate
   - When the buyer has full information
   - When substitutes exist for the seller's product or service.

3. Bargaining power of buyers
   Supplier bargaining power is generally higher under the following circumstances:
   - Suppliers are highly concentrated and dominated by a few firms
• There is no substitute for the products supplied
• The supplier has differentiated its product or built in switching costs
• Supply is limited.

4. **Current category rivalry**
   Competition in an industry is intense under the following conditions:
   • Many or balanced competitors
   • Slow growth
   • High fixed costs
   • Lack of product differentiation
   • Personal rivalries.

5. **Pressure from substitutes**
   • Categories where there are a large number of substitutes are generally unattractive.
   • Categories with few substitutes are known to achieve high levels of return.

6. **Category capacity**
   • Overcapacity has negative connotations for long-term stability and profitability.
   • Operating at capacity results in costs staying low and bargaining power with buyers being high.

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**QUESTION 3** [25]


Using Nutri-Grain as their point of reference, the student had to explain, in detail, what the product manager needs to consider in answering the question “why the customer prefers a particular product”.

General impression mark. Mark allocation is at the discretion of the marker. It is important however that the bulk of the topics be covered and that the answer be related to Nutri-Grain.

Whilst it was important to briefly outline the theoretical issues, the bulk of the answer should focus on the practical application.

**Total = 25 marks**

1. **General introduction to customer value**
   • Importance of usage situation
   • Effectiveness of the product category in the situation
   • Relative effectiveness of the brand in the situation.

2. **Sources of customer value**
   • Economic
   • Functional
   • Psychological.
3. **Measuring brand equity**
   - Awareness
   - Associations
   - Attitude
   - Attachment
   - Activity.

4. **Manifestations of customer value**
   - Price
   - Price sensitivity
   - Complaints and compliments
   - Word-of-mouth
   - Margin/profit contribution
   - Rand sales
   - Competitive activity
   - Repeat purchase rate.

5. **Assessing the value of the product category**
   - Determine the uses of the product
   - Estimate the importance of the uses
   - List competing products for the uses
   - Determine the relative effectiveness of the product category in each usage situation.

6. **Assessing the value of the brand/product/service**
   - Ratings
   - Constant sum ratings across brands
   - Graded paired comparisons
   - Conjoint analysis.

7. **Emotions, metaphors, and conceptual understanding**
QUESTION 4 [20]

Students were free to address the topic as they saw fit. They should however cover the basics issues in detail. Mark allocation is at the discretion of the marker and is based on the quality of the answer and insight shown.

Due to students using different sources the answers will vary. The marker needs to ensure that the basic concepts at the very least are addressed.

Practical examples to support the discussion were essential.

It was essential that students conduct further research on this topic when answering this question. They had to consult additional textbooks, study articles, conduct Internet searches and use any other resources at their disposal when researching this topic.

In addition to this it is essential that students give a complete list of references and make use of in-text references to acknowledge the sources they have used. Students are to be penalised if they did not do this.

Total = 20 marks

The following extract comes from the CSR Europe’s sustainable marketing guide. It serves as a starting point for the discussion on the topic and is by no means a complete answer. Students will address a wide variety of issues and refer to a wide variety of sources.

DEFINITION OF SUSTAINABLE MARKETING

We only have one planet and the Earth’s resources are finite. The problem is, we’re using them much faster than they can be replenished and some, like unpolluted land, fossil fuels and the thousands of plant and animal species going extinct each year, will never be replenished. If the Earth’s ecosystem was a bank account we’d be seriously overdrawn!

Living beyond the limits of the planet is the reason for environmental degradation, climate change and many of the humanitarian crises in poorer nations as they struggle with scare resources like clean water, habitable land, food and energy.

The further we stretch these scare resources, the more uncomfortable life will become for those in the developed world and the harder it will become for those in some developing countries to survive at all. In short, the situation is unsustainable.

Some businesses had been reluctant to tackle the issue as the sustainability agenda was felt to be a threat to profitability and business growth. But that paradigm no longer holds and sustainability is fast becoming the most critical business issue since industrialisation.

In a business context, sustainable development means taking a triple bottom line approach so that the business measures its success not just on financial performance, but on its environmental and social performance too. The goal: to meet
the needs of this generation without jeopardising the ability of future generations to meet their own needs.

So where does marketing fit into the equation?

Fuller defines sustainable marketing as: “The process of planning, implementing and controlling the development, pricing, promotion and distribution of products in a manner that satisfies the following three criteria: (1) customer needs are met (2) organisational goals are attained, and (3) the process is compatible with ecosystems.” Sustainable marketing is the contribution that the marketing profession can make to sustainable development.

WHAT CAN MARKETERS DO?

The marketing profession may have been painted as the ‘bad guy’ for glamorising consumption. Producing goods and services does indeed use up resources which generate waste and pollution, so, what can marketers realistically do to minimise their impacts?

As influencers, communicators and shapers of culture, marketers have it within their gift to ensure that they make a significant difference both to their customers, the planet and to the bottom line. In practice, it’s simply about looking at your products and/or services, assessing how they impact the environment and then taking steps to minimise those impacts.

CONSUMERS ARE DEMANDING CHANGE

Many marketers will remember the ‘green boom’ in the 90s which saw a great swathe of ‘environmentally friendly’ products and services sweep onto the market. Acid rain, deforestation and the hole in the ozone layer were key concerns. Ozone depleting CFCs were banned and even products which had never used CFC were proudly labelled ‘CFC free’. Understandably, many consumers felt cheated.

Sceptics argue that the cyclical (and fickle) nature of markets and consumer interests means that this latest focus on the environment is just the most recent turning of the wheel and that like the 90s, the bubble will soon burst and consumers will again stop worrying about the impacts that their lifestyles are having on the environment.

The difference this time however, is that the risks to life and lifestyle are now far greater and far more immediate. This is fuelling a growing sense of urgency in the drive to find solutions. Far from being a problem for ‘other countries’ it’s becoming almost impossible for consumers anywhere in the world to ignore the changes brought about by climate change and environmental degradation.

Business leaders too, concerned about their own families, lifestyles and professional legacies are acting to ensure that this is no passing fad. The upside is that marketers have learned a lot from both the mistakes and the triumphs of that 90s brush with
mass market environmentalism and those lessons will have placed profession in good stead for the challenges ahead.

Customer expectations are changing. Consumers are looking for companies and brands they feel have genuine commitments to environmental and social issues; and they’re voting with their wallets.

Source: Adapted from CSR Europe’s sustainable marketing guide.  