PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS AND TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

MAY-AUGUST 2018

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: MBA505

COURSE TITLE: MARKETING MANAGEMENT

EXAM DATE: TUESDAY 7TH AUGUST 2018

TIME: 2:00PM-5:00PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer **Question one and any other three questions.**
- Write your **student number** on the answer booklet provided.
- *Write clearly and legibly.*
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE - CASE STUDY (Compulsory) – 40 marks

Internet advertisers, wake up and smell the coffee! No, really. The fumes might lead marketers to one of the few places where the in-vogue theory for mixing on- and offline media can be tested. Internet cafés have what standard Internet service providers or portals too often lack – ‘captive’ visitors, a proven charging model and physical assets with which to reinforce the messages of on-screen branding. Many cafés, particularly independents, have struggled to gain scale and customer footfall to justify relatively fixed start-up and running costs.

The spread of Internet access, at home or work, together with the advent of unmetered-access pricing, was supposed to sound their death-knell. In fact, large café chains appear to be thriving. Internet Exchange, the international network of 171 franchised and wholly owned cafés, says it will go into operating profit ‘within the next few weeks’. EasyEverything, the chain of giant cafés started by Stelios Haji-Ioannou, the low-cost airline entrepreneur, now provides 9,500 seats in 21 stores across eight countries. It recently signed a deal to open its first franchised operation, in Athens, probably to be followed by Budapest. The two chains claim to deliver, respectively, an average 1m and 2.2m Internet sessions across their outlets every month, although a user might buy several sessions during one visit. (The numbers are not audited by ABC Electronic, though easyEverything has plans to do so.) According to a report from Allegra Strategies, the consultancy, just under 60 per cent of people named web cafés as the best place to surf outside work or home. Allegra forecasts 54 per cent compound annual growth in the number of UK chain outlets opened between June 2000 and December 2002. And with claims to marry the captive audience of cinema or in-flight advertising with high-street shop frontage, the chains are going after media spend. Both chains argue that even in a tight advertising climate they are delivering better results than online-only properties. Internet Exchange says in-store promotions have driven click-throughs on some screen campaigns for Mars and Virgin to between 5 and 50 per cent. easy Everything gives a typical rate for an online campaign as £1 a click, higher than market rates. Homepage channel sponsors pay from £2,000 to £10,000 for a three-month tenancy across the easy Everything network. The reasons for these high rates, according to Maurice Kelly, chief executive of easy Everything, are distinctly low-tech. ‘The most valuable space in the UK for McVities will be the one on a wall at the supermarket because the branding opportunity is as close as possible to the point of sale,’ Kelly says. ‘I have a million websites to choose from. A dotcom that buys ambient media in aneasy Everything outlet can direct a customer to its website.’ Slots for sale range from stickers on mouse mats, screens and phones (used for international calls made via the Internet), to window and wall posters. BT and Consignia (formerly the Post Office) are among future poster clients. Mike Roberts, general manager at ee-media sales, the joint venture set up with Spafax, the WPP-owned specialist in in-flight content and marketing, is responsible for selling easy Everything media space. To him, the entire 540-seat branch at Tottenham Court Road, central London, is a series of branding opportunities. ‘We can replace selected keys on the keyboards with branded ones. Our staff could be wearing branded T-shirts. We can have stickers on the floor, on the coffee cups . . .’ he says. Before this vision goes into overdrive, it should be stated that easy Everything's core business has not changed. It still sells seats in front of Internet screens in much the same way as easy Jet sells seats on planes. To cover costs, it needs to ensure a minimum average occupancy rate. This was first set at 40 per cent of all seats on the assumption that cafés stayed open 24 hours a day and charged an average of £1 per hour. Adapting the 'yield' model applied by airlines for flight tickets, stores continually alter basic access prices to manage the trade-off between volume and margin. The model has been changed: price parameters are now fixed at between £1 and £3 an hour and the 580-seat High Street Kensington store, some of its most expensive real estate, now closes at night because of lack of demand. But the emphasis is still on volume. And in an online medium that is supposed to deliver personalised communications, is that what advertisers want? Kelly says: 'If we ran this business entirely for its advertising income, then I guess we would be data mining. 'We are only interested in the business as an advertising vehicle because of the numbers and because of the age group of our customers. That is what makes us an appropriate medium for some brands.' According to easyEverything, its users are aged 16–24 and predominantly local, if temporary, residents. An average visit lasts 50 minutes, and about 40 per cent walk through the doors three times a week. Online, they exhibit the same 'tunnel' vision as everyone else, with a strong propensity to use e-mail and chat forums rather than surf multiple sites, where they might be exposed to advertising. Mary Keane-Dawson, managing director of Spafax UK, describes the audience as 'notoriously difficult to reach, but valuable'. One thing they clearly want, she says, is cheap and fast access to the Web. Kelly adds: 'If you advertise on a portal, you are mostly getting access to their customers for the minute or so before they get to the sites they want to visit. For the entire time a person is sitting in easyEverything, we can deliver inventory to them.' The contrast with online portals is made even more directly by Simon Henderson, chief executive of Internet Exchange, which is less price-focused, more mass market and whose cafés are usually less centrally situated than easyEverything's. Henderson cites a Merrill Lynch report comparing the cost of customer acquisition and media sales at Internet Exchange and a variety of online portals. Merrill Lynch estimates that Internet Exchange spends £4.20 in marketing to acquire each customer, compared to Liberty Surf, which spends £98.61. The chain's annual media sales per customer were £25.57, compared to £5.28 at Freeserve and £4.20 at Yahoo! Such figures clearly exclude the huge costs a café chain needs to sink before it can create the infrastructure to acquire customers in the first place. Cafés could not possibly compete on reach or scalability with online properties. The New York easyEverything branch alone cost around $3m to open and market, and although it has run campaigns for Nokia, Warner Bros and Virgin, many international youth brands have yet to make the leap. Jeffrey Young, of Allegra Strategies, questions whether café chains will ever have a big enough audience to deliver mainstream campaigns. Both easyEverything and Internet Exchange also admit that it is still rare for British buyers and agencies, used to separate budgets, to buy on- and offline media in one go. Henderson argues that what matters to advertisers is a comparison of effectiveness of marketing spend across media. 'I don't know anyone in this market who isn't looking at what they are getting for their marketing pounds and judging spending by results,' he says.

From your study of the case above, respond to the following questions:

i. Since users of Internet cafés are such a small portion of the population, Discuss whether or not there is any benefit of using them for advertising **[10 marks]**

ii. Using a range of criteria, describe five segments who are likely to be heavy users of Internet cafés **[10 marks]**

iii. Discuss how users be further segmented based on their use of the Internet **[5 marks]**

iv. Given the Internet café user segments and the nature of Internet advertising, identify the products that are appropriate for advertising using the medium **[5 marks]**

v. Describe five objectives of advertising **[10 marks]**

QUESTION TWO

a) Differentiate between sales and marketing **[4 marks]**
b) Identify and briefly describe four marketing philosophies **[8 marks]**
c) Briefly describe the marketing management process **[8 marks]**

QUESTION THREE

a) Identify and explain the 4Ps of marketing management **[8 marks]**
b) Discuss the meaning of the term: SWOT analysis as used in marketing management **[6 marks]**
c) Identify and explain three benefits that accrue to a firm by undertaking SWOT analysis in marketing management [**6 marks]**

QUESTION FOUR

a) A firm interacts with various types of environment to which a marketing Manager must be conscious about. Identify and discuss any four such environments explaining how they affect the firm **[12 marks]**
b) For each of the marketing environments identified in part (a) discuss the strategies that a marketing Manager should employ to effectively deal with them **[8 marks]**

QUESTION FIVE

a) Discuss three reasons why a marketing manager should understand consumer behavior **[6 marks]**
b) Identify and explain four social-cultural factors that influence consumer buying decisions **[8 marks]**
c) Explain any four benefits of marketing planning **[8 marks]**

QUESTION SIX

a) Briefly describe the term Marketing information system as used in marketing management **[4 marks]**
b) Identify and discuss four roles of information technology in the marketing management process **[8 marks]**
c) Write short notes on the following marketing pillars:
   i. Market segmentation **[2 marks]**

ii. Target positioning **[2 marks]**

iii. Product Differentiation **[2 marks]**

iv. Cost leadership **[2 marks]**