

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

MARKETING MANAGEMENT

CBU 4108



First Semester Examination Paper

December 2014

This examination paper consists of 5 pages

Time Allowed: 3 hours 15 minutes

Total Marks: 100

Examiner's Name: Mr J. Ranganai

INSTRUCTIONS TO CANDIDATES

1. Answer all questions in Section A and any three questions from Section B

INFORMATION TO CANDIDATES

1. Section A carries 40 marks and all questions in Section B carry 20 marks each.
2. Questions may be answered in any order.
3. Credit will be given for the use of appropriate examples.
4. This paper contains seven questions.

MARK ALLOCATION

QUESTION	MARKS
1.	40
2.	20
3.	20
4.	20
5.	20
6.	20
7.	20

SECTION A

Question 1

CASE STUDY: Sweden`s IKEA Marches on

When Swedish home furnishings retailer IKEA opened its first store in the UK near the M6 in Warrington, curious shoppers found queues jamming nearby roads and parking spaces at a premium. With just one store, IKEA had the UK furniture industry on its toes; large retail groups and manufacturers alike feared large market share losses. With its acquisition of the UK`s Habitat and the opening of a national network of 13 stores, IKEA has conquered yet another territory. Such an impact is not confined to the UK market. The leading five countries for IKEA are Germany, the UK, the USA, France and Sweden.

IKEA has grown from one store in 1958 to 186 stores in 31 countries; 76 000 employees in 43 countries (retailing, distribution and manufacturing); and sales of over €5 billion. Close to 80 percent of sales are within Europe, but expansion in North America, South-East Asia and Australia is now increasing sales in the rest of the world – despite some initial franchising difficulties in certain territories. IKEA`s distinctive catalogue is produced in-house and now printed in 45 languages. IKEA is perhaps one of the world`s most successful retailers, with a brand name that is known, recognized and discussed; a retail concept that stands for value, style and quality; everything for the home under one roof, with easy parking, children`s play areas and cafes – in fact, `a day out`!

As the company succinctly states in its advertising:

IKEA: the furnishings store from Sweden.

More for your money!

IKEA is more than just furnishing ideas. It`s a day out for all the family.

Most of the time, beautifully designed home furnishings are created for a small part of the population – the few who can afford them. From the beginning, IKEA has taken a different path. We have decided to side with the many.

That means responding to home furnishing needs of people throughout the world. People with many different tastes, dreams, aspiration and wallets. People who want to improve their home and create a better everyday life.

For IKEA, helping create a better everyday life means offering a wide range of home furnishings in IKEA stores. Home furnishings that combine good design, good functionality and good quality with low prices so that as many people as possible can afford them.

IKEA`s huge volumes – 10 000 articles in a typical store – cheap out-of- town sites and dedication to keeping costs low through self-assembly packs mean that, unlike many competitors, the company can cope with any troughs in consumer spending. Low prices have been key to IKEA`s success, but price alone cannot create an international long-term

marketing success story. Products are updated consistently to match consumers `s expectations and lifestyles. In-store service and staff training are an integral part of IKEA shopping experience. Sites are chosen to maximise catchment areas, to make access easy for shoppers and to bring the brand name to the attention of the whole community. Logistics give IKEA an edge with carefully managed ordering and delivery reducing stock holdings and stock-outs. Further, promotion emphasises the 'style without expense' philosophy and the IKEA name. The result has been a country-by-country revolution as staid furniture markets have been rejuvenated with the entry of IKEA. Shoppers intending to buy just a sofa return home with a sofa, a chair, some lamps and a general excitement about a new store where they can buy home furnishings at unbelievable prices. The IKEA vision is simple: 'Good design and function at low prices.'

The latest strategic developments for IKEA include entering eastern European markets, developing a new IKEA format and expanding its mail order/electronic ordering. Eastern Europe has been a recent target for expansion, with IKEA stores opening in Poland, the Czech Republic and Hungary. The company is also sourcing furniture from eastern European manufacturers, which now supply 15 percent of its range. The standard 'big box' IKEA concept was brought to a smaller stage with the New York opening in Manhattan of the IKEA Marketing Outpost, a 720-square-metre (7500-square-foot) 'boutique' significantly smaller than the normal 19 000-square-metre (200 000 square-foot) IKEA superstore. Even more unusual was the decision to offer only a selected, themed, reduced range. For example, IKEA Cook showcases the company `s kitchen-related merchandise. Every 8 to 12 weeks, the store closes completely to re-open with a new look, different merchandise, signage, lighting and staff uniforms. Further, IKEA is also recognising the growing use of the internet and is developing sales tools to utilize new technology.

IKEA has its ideals and operating philosophies: standard matter. IKEA has a forceful, well-directed marketing strategy actioned – ignoring the trial of the Marketing Outpost in the USA – primarily through one tightly developed marketing mix for the core superstore operation. The result is a successful, expanding company, satisfied targeted customers and unhappy competitors.

Source: Adapted from Dibb *et al* (2006: 33-34) Marketing : Concepts and Strategies, 4th Edition, Houghton Mifflin Company, New York.

Required:

a) Explain why IKEA is an international success story relative to its competitors.

[20 Marks]

b) In what ways is IKEA deploying the marketing concept to achieve the highest possible level of customer satisfaction?

[9 Marks]

c) Evaluate IKEA Marketing Outpost concept in relation to maintaining as well as enhancing the retailer`s competitiveness.

[7 marks]

d) Analyse the initiatives IKEA is employing to ensure the highest possible levels of place , form and time utilities for its target customers.

[4 Marks]

SECTION B

Question 2

‘As much as the ‘4Ps’ marketing mix has served markets very well as a foundational marketing model for nearly half a century and continues to be the basis for many marketing strategies, there has been a groundswell of push and debate towards **rethinking the marketing mix.**’ Discuss.

[20 Marks]

Question 3

Analyse how managers use the SPIDERWEB technique to enhance idea screening in new product development.

[20 Marks]

Question 4

‘Rebranding emerged as one of the contemporary management fads at the turn of the millennium such that a lot of Zimbabwean companies have repositioned their organisations or brands through rebranding.’ Using relevant examples, assess any five reasons that made it strategically compelling for some Zimbabwean organizations to rebrand.

[20 Marks]

Question 5

‘When it comes to advertising budgeting, organisations endeavour to set optimal levels of advertising expenditure to avoid the negative implications of overspending or underspending.’ Evaluate any five approaches that could be employed by marketing managers in setting advertising budgets.

[20 Marks]

Question 6

‘The principles at the heart of marketing management are universal and it makes no difference whether you are marketing high-technology products, diamonds, life assurance policies, aircraft or banking services.’ Discuss.

[20 Marks]

Question 7

‘Motivated by their aspiration for the market leadership position, market challengers like Pepsi, Telecel or Airbus employ various generic attack strategies to achieve their objectives.’ Analyse any four general attack strategies that could be employed by market challengers to gain market share at the expense of the market leader.

[20 Marks]