

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

UNIVERSITY OF MALTA, MSIDA

MATRICULATION EXAMINATION
ADVANCED LEVEL
SEPTEMBER 2016

SUBJECT:	MARKETING
PAPER NUMBER:	I
DATE:	2 nd September 2016
TIME:	9.00 a.m. to 12.05 p.m.

Answer ANY FIVE (5) questions.

All questions carry equal marks (20 marks each).

- Marketing strategies may be implemented by adopting any one of five alternative concepts. Define and distinguish between these different concepts. Use examples to illustrate your answer. (20 marks)
- Define and distinguish, with the use of examples, between the different types of organizational markets. (8 marks)
 - What are the major types of buying situations organizations face? Relate to an organization of your own choice as an example. (12 marks)
- Distinguish between exploratory, descriptive and causal research. (6 marks)
 - Outline the marketing research process that a firm's marketing team would proceed through in gathering consumers' perceptions about an existing product marketed locally. (14 marks)
- Describe the product development process a local manufacturer follows in developing a new range of drones for the local market. Use examples to illustrate your answer. (20 marks)
- Distinguish between the major pricing strategies a manufacturer may use in marketing its range of hair products. Provide examples. (20 marks)
- How do distributors add value to the marketing activities of a firm? (11 marks)
 - What are distribution channel levels? Discuss the channel level options that a sportswear manufacturer has when marketing products in Malta. (9 marks)
- What are the marketing mix considerations that a private school offering music education should consider when targeting Maltese students? (20 marks)
- Discuss, with the use of examples, three of the options that a company may choose from to differentiate its brands. (6 marks)
 - What differences should a firm promote to achieve effective differentiation of its offerings? Discuss, using examples. (14 marks)

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DATE:	3 rd September 2016
TIME:	9.00 a.m. to 12.05 p.m.

Answer ALL questions in Section A and ANY TWO [2] questions from Section B.

Section A

Case Study: Smoke signals – Philip Morris, health company?

TOBACCO companies are specialists of paradox. On one hand, tobacco companies claim to be behind the decreasing proportions of young smokers, while concurrently, boast about their bloating sales to naïve puffers. Perhaps the most skilled artist in this gallery is the world's largest tobacco firm – Philip Morris International (PMI), with the unlikely masterpieces portraying good news to shareholders and concurrent bad news for lungs. But now, PMI plans a retraction, wanting to improve profits and health alike. This news is stupefying, coming from the firm that sold 850 billion cigarettes in 2015 alone. But Andre Calantzopoulos (CEO) insists that his firm is starting a transformation by focusing on “reduced-risk products” as PMI's new star in its smoking portfolio. Indeed, on 19th April, Calantzopoulos announced that PMI's top offering in the reduced-risk products category is IQOS, accounting for one in 30 cigarette sales in Tokyo, the firm's test market.

iQOS looks more like a pen than a cigarette. A smoker inserts a cigarette-like cylinder called a HeatStick and iQOS warms the stick's tobacco without burning it. The heating produces a vapour that has the traditional cigarette's taste, yet devoid of much of the sickening chemistry that comes with the burning of tobacco leaves. Calantzopoulos claims that PMI has, for the first time in its life, products that can really hasten harm reduction yet boost PMI's business.

Healthier-seeming products are not newcomers in the tobacco industry. Some “healthy” products have unconvincing benefits. For instance, “light” cigarettes have attracted consumers for generations with the promise of reducing disease risks, albeit without any persuasive evidence. E-cigarettes are a safer option, but are fraught with own challenges and fuel a diversity of opinions. On one front, some believe e-cigarettes will banish public's stigma on smoking, while at a diametrically opposite end, others assert e-cigarettes help smokers quit. In reality, many smokers just cannot accept e-cigarettes that deliver vapour with nicotine without any tobacco. And common complaints range from faulty batteries to poor taste, suggesting why e-cigarettes account for a tiny 0.4% share of the cigarette market in 2015 according to Euromonitor.

Yet, PMI's new products may appeal to a broader segment, and this may be the result of the firm's bold investment in research and development. Indeed, the firm has some 300 scientists on its payroll, coming from previous jobs in pharmaceutical and medical-device firms. PMI's R&D has realised a solid new product pipeline that has several substitutes to traditional cigarettes over the past years, but iQOS remains the most prominent. iQOS produces a vapour that contains just one-tenth of the toxic or potentially harmful chemicals that a standard cigarette contains. It is unsurprising that

thanks to these features, Bonnie Herzog of Wells Fargo estimates that by 2025, iQOS may well account for 30% of cigarette sales in rich markets.

PMI plan to expand iQOS markets rapidly. Following its launch in parts of Japan and Italy, iQOS may well eat into PMI's cigarette sales as well as help smokers switch from rival firms' brands. Wells Fargo see iQOS with a promising future: combined profits generated by iQOS and traditional cigarettes in 2025 may be 50% higher than they would have been for solely conventional cigarettes. Sales may soar even higher if PMI can manage itself through the health regulation tangle. PMI shall be requesting US health regulators to label iQOS as a "modified risk tobacco product", allowing PMI's partner in USA, Altria, to exploit the brand's lower health risks. Legislative sanctioning remains problematic nonetheless. Tobacco firms face sceptic regulators, as is Katie McMahon, a policy expert at the American Cancer Society. This scepticism is hardly surprising given the tobacco firms' history of misleading the public and decades of mistrust. Tobacco firms will find it hard to convince publics about their new good intents and the healthier options that tobacco firms like PMI launch on the market.

Sources

Adapted from The Economist, April 23rd 2016.

Answer ALL questions in Section A

1. What are the stages of the product life cycle that PMI's iQOS may go through? Use examples to illustrate your answer. (10 marks)
2. What type of advertising strategies would you expect PMI to adopt to promote iQOS in the markets where the brand is introduced? Use examples to illustrate your answer. (6 marks)
3. PMI faces sceptical publics worldwide. What are the consumers' rights that PMI has to respect in its attempt to build trustworthiness? Provide examples in your answer. (24 marks)

Section B

Answer ANY TWO (2) questions. All questions carry equal marks (30 marks each).

1. (a) Distinguish between customer perceived value and customer satisfaction. (10 marks)
(b) Why are customer relationships important for a firm? Illustrate your points by drawing from the case of a local firm of your choice. (20 marks)
2. As the marketing manager of an established consumer goods firm of your choice, discuss the decisions you will face in developing a brand strategy. Use examples. (30 marks)
3. A manufacturing firm is considering buying new equipment to increase its production capacity. With the use of examples, outline the stages of the firm's buying centre purchasing process. (30 marks)
4. (a) Define each element of the marketing communications (promotion) mix. (10 marks)
(b) What are the advantages and disadvantages of each element of the communications mix? Use examples. (20 marks)