

Nestle Coffee (p.197)

- 1 Nestle Coffee in the Hong Kong market was probably in the **maturity stage** of the PLC.

This can be reflected as follows:

- Nestle had **added more coffee flavours** (e.g., Cappuccino, Latte and premium white coffee Mocha) to attract customers in the Hong Kong market. It also launched capsule coffee machines, NESCAFÉ Nespresso and NESCAFÉ Dolce Gusto, to compete with coffee shops.
 - Nestle canned coffee **is found almost everywhere** in Hong Kong. Nestle uses **intensive distribution** to distribute its canned coffee.
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 - Nestle has to **compete with many competitors**, such as coffee shops in the Hong Kong market. The competition is very keen.
- 2 Given Nestle coffee is in the **maturity stage of the PLC**, its marketing objective should aim at **defending its existing market share and maximising short-term profits** before the decline begins. This can ensure stable and possibly substantial income for the company before the product declines.
 - 3 This might be due to **keen competition** in the Hong Kong coffee market.

Nestle might want to **enter a new market** so that it could increase the coffee products' sales and profits before the entry of competitors.

Also, as a Mainlander drinks four cups of coffee on average in a year, the Mainland might be a potential market for Nestle. They have the potential to drink more in the future if Nestle promote coffee more in the Mainland.

4 Nestle should shift the company's resources from the Hong Kong market to the Mainland market.

This is because:

- Nestle has just started selling coffee in the Mainland market. Coffee in the Mainland is probably in the growth stage. However, coffee has already entered the maturity stage in the Hong Kong market.
- The Mainland market has a higher profit potential than the Hong Kong market (a mature market). Nestle's coffee will also be able to survive in the Mainland market for a longer time than in the Hong Kong market.
- More resources should be allocated to this growing market to build up its customer base and market position. Such an investment will enable Nestle to realise profits at later stages.
- If Nestle invests a lot of resources in a mature market (i.e., the Hong Kong market), such investment may be wasted as the company cannot reap benefits from it.
- Coffee in Hong Kong may soon enter a decline stage (i.e., decline in sales and profits). Thus, Nestle should only aim at defending its existing market share in Hong Kong.

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Marketing: Services Characteristics

Services have four unique characteristics that significantly affect marketing practices:

<p>Intangibility:</p> <p>Quality of service is unknown before the _____ purchase</p>	<p>Because of services' intangibility, companies need to provide target consumers with <u>tangible evidence of service quality</u>.</p> <p>e.g. medical certificates and qualifications to proof staff's _____ knowledge and skills</p> <p>e.g. Open kitchen design of restaurants that allows their chefs to demonstrate their cooking skills in front of customers.</p>
<p>Inseparability:</p> <p>The _____ and _____ of a service occur at the same time and are inseparable.</p>	<p>To ensure that consumers can obtain services whenever they need, companies may</p> <p>(i) enhance work _____: (_____ existing work _____ and enhance the work efficiency of their staff)</p> <p>e.g. use digital menus which allow customers to order food directly through tablet computer</p> <p>(ii) _____ the demand; (increase _____ for services- so that customers _____ to other service providers within the same service outlet.</p> <p>(iii) increase service _____: increase the number of cashiers/_____</p>

<p>Variability:</p> <p>Service quality varies among different service _____</p>	<p>To solve this problem, companies may</p> <p>(i) establish good _____ and _____ systems; Hire the right person to do the right job</p> <p>(ii) _____ the service delivery process; establish strict _____ to govern all steps in delivering services</p> <p>(iii) monitor customer _____ Establish a _____ and complaint system</p>
<p>Perishability</p> <p>Services cannot be _____ for later sale or use</p>	<p>Strategies to cope with this problem can be classified into:</p> <p>(i) Demand side: Setting _____ prices for services during peak times, establishing _____ systems and providing _____ services for waiting customers.</p> <p>(ii) Supply side: Hiring _____ staff, improving _____ during peak times, increasing consumer _____ and adding more facilities for _____.</p>

<p>Intangibility:</p> <p>Quality of service is unknown before the actual purchase</p>	<p>Because of services' intangibility, companies need to provide target consumers with <u>tangible evidence of service quality</u>.</p> <p>e.g. medical certificates and qualifications to proof staff's professional knowledge and skills</p> <p>e.g. Open kitchen design of restaurants that allows their chefs to demonstrate their cooking skills in front of customers.</p>
<p>Inseparability:</p> <p>The production and consumption of a service occur at the same time and are inseparable.</p>	<p>To ensure that consumers can obtain services whenever they need, companies may</p> <p>(i) enhance work efficiency: (fine-tune existing work procedures and enhance the work efficiency of their staff)</p> <p>e.g. use <u>digital menus</u> which allow customers to order food directly through tablet computer</p> <p>(ii) shift the demand; (increase fee/price for services: encourage customers to <u>switch</u> to other service providers within the same service outlet.</p> <p>(iii) increase service providers: increase the number of cashiers/facilities</p>

<p>Variability:</p> <p>(iv) Service quality varies among different service providers</p>	<p>To solve this problem, companies may</p> <p>(i) establish good recruitment and training systems; Hire the right person to do the right job</p> <p>(ii) standardize the service delivery process; establish strict standards to govern all steps in delivering services</p> <p>(iii) monitor customer satisfaction. Establish a suggestion and complaint system</p>
<p>Perishability</p> <p>Services are perishable and cannot be stored for later sale</p>	<p>Strategies to cope with this problem can be classified into:</p> <p>(i) Demand side: Setting higher prices for services during peak times, establishing reservation systems and providing complementary services for waiting customers.</p> <p>(ii) Supply side: Hiring part-time staff, improving efficiency during peak times, increasing consumer participation and adding more facilities for expansion.</p>

BAFS: Marketing Strategies: Hang Seng iPoint Personal Banking Center P206

a) Among the four characteristics of service, perishability and inseparability are most relevant to the situation.

(i) **Perishability:**

- Banking services are perishable and cannot be stored.
- Unlike tangible goods, banks cannot 'stock' unused services and provide them for customers later.
- Consequently, banks find it difficult to match their supply of services with consumer demand.

(ii) **Inseparability:**

- The production and consumption of banking services often occur at the same time.
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- Bank cannot first 'produce' the services and let the customer consume them later.

b) Setting up iPoint outlets can help Hang Seng Bank better match demand and supply in the following ways:

- Hang Seng Bank **sets up two iPoint outlets** in MTR stations to **expand its banking services**. Coupled with the extension of office hours, these help **increase the availability** of banking services to customers.
- The **self-help service** of iPoint can **increase consumer participation**. This may help improve the **bank's efficiency** as a whole and **shorten customers' waiting time**. E.g. check deposit box or ATM Machine only for depositing checks.

c) Hang Seng Bank can employ the following to improve the supply of banking services:

- Hang Seng Bank can upgrade its computer system to enable tellers to process customer requests more promptly. This can improve the bank's efficiency on the whole.
- Hang Seng Bank can encourage customers to use phone banking, Internet banking, or process their banking transaction online via mobile Apps.
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- Hang Seng Bank may set up more machines to handle certain simple, standardised services such as cheque deposits.
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- Hang Seng Bank may extend its working hours on weekdays so that customers can use its services after work. It may also hire part-time staff to provide more counter services during peak hours.

(Any two of the above)

(Any other reasonable answers)

Pricerite answers to Discussion Questions (p.215)

- 1 Pricerite Express is in operation around the clock. Unlike retail outlets that have fixed opening hours, Pricerite Express allows consumers to make purchases any time they want.

Also, adopting a shopping wall means no physical store is required for Pricerite Express as transactions take place via smartphones and the Internet.

Although Pricerite may still need to rent advertising space, Pricerite Express may help reduce the company's operating costs by saving on inventory costs and wages.

- 2 Pricerite can make use of transaction records collected from Pricerite Express to understand its customers' purchasing preferences. It can analyze the purchase records of its customers.

Based on these records, Pricerite can better understand the purchase patterns and habits of individual shoppers. It can then recommend suitable items/brands for customers (i.e., customization).

- 3 The reasons are:

- Buying household products is quite convenient in Hong Kong. This will discourage people from buying from shopping wall.
- People may worry about Internet security. They may not feel comfortable paying through the Internet.
- People may want to experience a personal touch before deciding whether to buy the products. However, they cannot 'feel' the products on the shopping wall.