

Catherine is the marketing director of a multinational company specialising in manufacturing fast moving consumer goods. She is currently responsible for a newly launched shampoo in Hong Kong. The ingredients for the shampoo are extracted from special herbs in Switzerland and it has been claimed that they have a very good effect on strengthening hair. Catherine is thinking of setting the product price at around \$99 per bottle (300 ml).

As instructed by Louis, CEO of the company, Catherine has to achieve two major communication objectives during the product's first year on Hong Kong's market:

- (1) build awareness of the product; and
- (2) stimulate consumers to make a trial purchase of the product.

**a** Among a perfectly competitive market, a monopolistically competitive market, a pure monopoly and an oligopoly, which best describes the nature of the shampoo market in Hong Kong? Explain. How would this market nature affect Catherine's pricing decision for the new shampoo? (4marks)

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**b** In terms of the number of retailers who are marketing this new shampoo, what distribution strategy should Catherine adopt? (3marks)

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**c** Suggest a promotion mix tool for Catherine to achieve the following communication objectives:

**i** build awareness of the product (2marks)

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**ii** stimulate consumers to make a trial purchase of the product. (2marks)

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**d** Catherine used to offer a commission to salespeople. She now wants to offer a higher commission for the newly launched shampoo to encourage the salespeople to sell it. Outline one advantage and one disadvantage of this practice. (4marks)

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WS: Multinational company: Consumer goods

- a** Shampoo is in a monopolistically competitive market in Hong Kong as the market consists of many suppliers and consumers buying and selling a highly differentiated product (i.e., shampoo). (2 marks)
- The differentiation among different brands implies that an individual marketer should have more freedom to set his product price. Hence, if the new shampoo has its own uniqueness which is needed by the target customers, Catherine will have considerable freedom in setting the product price. (2 marks)
- b** Catherine should use intensive distribution. (1 mark)
- Given that shampoo is a fast moving consumer goods which target the mass market, it is considered essential that the product be widely distributed and easily accessible to customers. As such, the product should be distributed by as many retailers as possible. (2 marks)
- c**
- i** Catherine can use TV commercials, radio commercials, newspaper advertisements, or magazine advertisements to reach the general public and thus build up brand awareness. (2 marks)
- ii** Catherine can use sales promotion such as coupons, cash rebates, gifts, samples or lucky draw, etc., to encourage consumers to try the new shampoo. (2 marks)
- d** Advantages:
- It is easy to understand and apply.
  - It provides the greatest incentive for employees to work hard as they can easily see the linkage between effort and reward.
- (Any one of the above, 2 marks)
- Disadvantage:
- A higher commission may prompt employees to focus on selling the newly launched shampoo only. (2 marks)