

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Marketing Revision-6.16

6.16. Organic Product

a) Set higher price of 20% more than his competitors at 'introduction stage' of PLC:

b) offering a 30% discount to customers during the 1st month of operation:

c) Open the shop on the third floor:
Disadvantages:

Other 'place' strategy to better market the products:

d) Delay the payment of account payable:

Disadvantages:

6.16 a Tai Man should not set such a price of 20% higher than his competitors. This organic product maybe at the introduction stage for Tai Man, but it is nowadays very common.

As Tai Man's **organic products** are in the **introduction stage**, consumers are unaware of them.

Therefore, a price that is 20% higher than that of his competitors **may deter consumers from trying them**.

b As Tai Man's organic products are in the introduction stage, it is important for him to **persuade** consumers to try them.

This strategy of offering a 30% discount is a kind of **sales promotion** aimed at inducing **trial purchases**.

c It is not appropriate.

A shop on the **third floor** may be **inconvenient** for customers. It is also **difficult** to attract the attention of **passersby**.

Tai Man can make use of **the place strategy** of the 4Ps to better market his organic products as follows:

- Tai Man can allow customers to **order by phone**. He can then arrange product delivery to his customers. This can be more **convenient** for customers as they no longer need to visit Tai Man's shop.
- Tai Man can **run an online shop** to market his organic products. This website can enable customers to **place orders electronically**.

(Any other reasonable answers)

d No, I don't agree with him.

This is because **opportunity costs** are involved in delaying the payment of trade payable. If Tai Man makes a **payment after the cash discount period**, he loses the **cash discount**.(2 marks)

If Tai Man **repeatedly** fails to make payments before the due date, suppliers may **refuse** to grant trade credit to him in future. Hence, the cost is the **loss of future trade credit**.

6.17

- a Charles can cope with the excessive demand during peak hours by:
- Offering only a limited number of dishes that require less preparation time during peak hours. This would help shorten the production time.
 - Increasing the price in order to lower demand during peak hours. At the same time, he may also lower the price during non-peak hours to encourage people (e.g., those working on flexi-hours) to eat lunch before or after peak hours.
 - Providing delivery services so that customers can eat their lunch outside the restaurant.
 - Adding facilities for expansion or hiring part-time staff. Charles may redesign the facilities arrangement so that more customers can be accommodated in the restaurant. He may also hire part-time staff (e.g., a chef) to increase the restaurant's productivity.
- b Yes. Charles' restaurant should offer other products if he wants to attract customers from the newly completed serviced apartment in the evening. As the occupants of the serviced apartment are mainly expatriates and local middle-income executives, this implies that Charles' target customers in the evening are more affluent. The tastes of expatriates are also different from those of local consumers due to cultural differences. Therefore, Charles may offer finer (and thus more expensive) dishes and Western food items in the evening.
- c Charles may consider providing delivery services. This means consumers can place their orders by phone and Charles may have employees deliver the ordered food to their door. The employees can do so by bicycling as his restaurant is only a 15-minute walk from the apartment. This would make Charles' products more accessible to potential customers.
- d Advantages of hiring temporary staff are as follows:
- Charles has the flexibility of employing workers when needed.
 - Charles can save on the costs of fringe benefits, e.g., medical insurance, retirement benefits, etc.

Disadvantages of hiring temporary staff are as follows:

- Temporary staff may require higher pay rates than permanent staff.
- Charles will have a higher staff turnover rate. He might need to train the new staff again if the old staff leaves.
- Temporary staff may not feel a sense of belonging to Charles' restaurant. They will be less committed to their job. This might affect their job performance and the restaurant's productivity as a whole.

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6.17 Small restaurant in a commercial area with many company offices:

a) Ways to cope with excessive demand during peak hours:

b) Ways to attract nearby service apartment residents who are mostly foreign and local middle-income executives:

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6.18 Large fitness center

a) **Service characteristics:**

i) customer complaints: did not systematically train them/talk on the phone while conducting training

ii). Complaints from popular fitness trainers: too busy and don't have enough rest time

b) Ways to reduce complaints about substandard training services:

6.18 a (i) Customer complaints of substandard training services of some fitness trainers is likely to be related to the **variability** of service.

Variability means that *service quality depends on which service provider provides the service and when, where and how it is provided*. This implies that within the same fitness centre, actual service quality varies among different fitness trainers.

When members receive substandard services from some irresponsible or incompetent trainers, **they will feel dissatisfied and lodge their complaints**.

(ii) Popular fitness trainers' complaint of insufficient resting time is likely to be related to the **inseparability and perishability of service**

- **Inseparability** means that the *production and consumption of a service occur at the same time* and are inseparable. The popular fitness trainers cannot first produce the fitness training services and let members consume them later.

This makes fitness trainers busy all the time and not have enough time to rest.

- **Perishability** means that services are perishable and *cannot be stored for later sale or use*. Unlike tangible goods, popular fitness trainers cannot 'stock' unused services and provide them for members later.

Consequently, they will find it difficult to match the supply of services with consumer demand.

b Richard can reduce complaints about substandard training services as follows:

- **Establish good recruitment and training systems** to ensure consistent service quality: Richard needs to recruit the right people. After hiring the right people, Richard should provide proper training for the new recruits to ensure that they all deliver services of equally high quality. Existing poorly performing fitness trainers may also need to go through retraining.
- **Monitor customer satisfaction** with the centre's services by establishing a formal suggestion system. This helps Richard detect variations in the service quality and enables him to carry out remedial actions as soon as possible.

c Richard can handle complaints about the *lack of rest time for 'popular' fitness trainers as follows*:

- **Enhance work efficiency**: Richard may *fine-tune the existing work procedures and division of labour* so as to enhance the overall efficiency of the centre. For example, Richard may **free the popular fitness trainers from routine housekeeping tasks** and let them focus mainly on providing tailor-made personal fitness training services.
- **Shift the demand**: Richard may consider **charging higher prices for the services of highly popular trainers**. This would encourage **price-conscious members to switch to** other trainers within the same centre.
- **Increase service providers**: In the long run, Richard may recruit more quality fitness trainers to meet the demand.

d The benefits which Richard can gain for sending all of his trainers to refresh their fitness knowledge include:

- **The corporate image of the fitness centre will be enhanced** if it has better qualified fitness trainers (i.e., those who have undergone retraining).
- **Well-trained fitness trainers** can **raise the service quality** of the fitness centre. With a higher quality of service, customer satisfaction can be enhanced. Richard can increase the prices or profits as a result.
- Members will be **less likely to complain** to Richard if they have a well-trained fitness trainer. Less time will be devoted to handling customer complaints. The **productivity** of the fitness centre can be enhanced.
- Fitness trainers have the **latest fitness knowledge** after they have undergone retraining. Customers will feel more satisfied about working out with them. As a result, more customers will be attracted to the fitness centre.

- 6.19 a Carman can consider the following electronic means for promoting her stuffed dolls:
- **Website:** Carman can place promotional messages for her stuffed dolls on her website. These messages may include new dolls, as well as discounts.
 - **Mobile-optimised website:** With the popularity of mobile devices, many people browse the internet with their smartphones or tablets. Carman may further consider building a mobile-optimised website.
 - **Social media website:** Carman may advertise on social media website (e.g., Facebook) to promote her products.
 - **Mobile advertising:** Carman may advertise on mobile Apps. The mobile Apps may be related to entertainment or lifestyle information.
 - **On-line advertising:** Carman may buy space on other popular websites to advertise her products. These websites may relate to entertainment or lifestyle information.
 - **Web communities:** Carman may develop a web community for customers on her website. The community can serve as a discussion forum for customers to share their experiences with her stuffed dolls. This helps develop social ties among customers and ultimately enhances their identification with Carman's company. Carman can also identify areas for further improvement from customers' comments.

- b Carman may consider using customerisation.
This means that Carman can allow *individual consumers to design their own* stuffed dolls.

Carman may provide **relevant on-line facilities** in her shop so that online shoppers can design their own dolls by selecting their desired character, pose, colour and style, etc.
Based on their choice, Carman can then **custom-make the stuffed dolls for customers to 'realise' their design**. Alternatively, Carman can also sell the customers the required materials so that they can make their own dolls.

- c Carman should pay attention to the service quality (such as reliability and on-time delivery performance) of the courier.

As Carman has *no control over the delivery process*, she will rely solely on the courier to provide the delivery service.

Poor delivery services may result in *customer dissatisfaction*, which will *jeopardise* Carman's business. Apart from prices, Carman should also *take service quality (such as reliability and on-time delivery performance) into account*. She may refer to the *reputation, on-time delivery performance and customers' comments of the courier on the website before making her decision*.

- d **Advantages of outsourcing** are as follows:
- This might **reduce** Carman's **workload**.
 - Carman can *concentrate* on other *areas of business*, e.g., promotion and distribution, etc. She can *develop other distribution networks* and better market her products.
 - Since Carman does not 'own' the workers, she will have more *flexibility* to *adjust* her *production plan*.
 - Carman may find it *difficult to monitor the quality of her products*. This may adversely affect the quality of her products.
 - If the outsourcing *freelancer* leaks product information to Carman's competitors, Carman will suffer a great *loss*.
 - Carman will have *little control over the production schedule* of her products. A *longer lead time* will be involved. It takes time for materials to be transported from her company to the outsourcing freelancers.

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6.20 Multinational publishing company

a) Two advantages of marketing e-books

b) Characteristics of PLC for:

i). Traditional books

ii) e-books

6.20

- a The advantages are:
- **No physical stores** are required: As transactions take place via the Internet, John can serve consumers around the world. There is no need to set up physical stores or build up a marketing channel to handle sales. This greatly reduces the capital investment and operating costs involved.
 - **Transactions take place around the clock:** Marketing e-books via the Internet allows consumers to purchase any time they want. The round-the-clock operating mode provides much convenience for consumers. It can also generate more sales for John.
- b (i) The company's traditional books are probably in the **maturity stage** of the PLC because their sales have stagnated for a few years.
The characteristics of this stage are as follows:
- The sales growth of the traditional books begins to slow down.
 - The average cost per customer is low as the sales volume is high.
 - More and more competing products enter the market.
 - As most consumers have already purchased the traditional book, there is only limited room for sales growth.
 - Keen competition among market players drives down prices and forces the company to spend more on promotion. As a result, profits decrease.
- (ii) The company's **e-books** are probably in the **growth stage** of the PLC because their sales are growing rapidly.
The characteristics of this stage are as follows:
- Both the sales and profits of e-books rise rapidly.
 - As promotional efforts have built consumer awareness of e-books, more consumers will buy the product.
 - In order to meet the increasing demand for e-books, John should think of an alternative solution when many people are downloading the e-books online.
 - The average cost per customer is dropping with the increase in customers and sales volume.
 - Increasing product sales and profits will attract more competitors into entering the market.
- c John may employ **customisation** to generate more business.

Customisation means that the company takes the initiative to **tailor** its products for consumers based on their previous purchase preferences.

John can **track the purchase records and browsing history** of his customers. Based on these records, he can **suggest e-books that meet customers' requirements**.

- d Possible reasons that the actual sales of e-books is fewer than the planned sales include:
- The **sales volume** is below the budgeted level due to **poor marketing**.
 - John has to lower the e-books' selling price due to **fierce competition**.
 - John's sales forecast is **too optimistic**, making the sales target unattainable.