

**1.8 a** No, a long-established sophisticated watch manufacturer should not reduce their product prices. (1 mark)  
Customers buy sophisticated watches mostly because of their **quality and durability**.

(1 mark)

In general, there is **a positive relationship between price and quality**. (1 mark)

Therefore, if the watch manufacturer lowers its prices, these customers may think the quality is not as good as it was before and not buy them anymore. (1 mark)

Or

Customers who buy sophisticated watches may want to show off their **social status**. (1 mark)

In general, this has to do with the **high price of the watch**. (1 mark)

Therefore, if the watch manufacturer lowers its prices, its **image as a symbol of success or wealth** may be undermined. (1 mark)

(Any other reasonable answers)

**b** Yes. The grocery store may lower the price of its products. (1 mark)

This is because customers who buy snacks are rather price sensitive. (1 mark)

Lowering prices can help boost snack sales. (1 mark)

However, it should make sure that the revenue gained after the reduction in product prices can cover the cost. (1 mark)

## Chapter 2 P.36 Italian-based premium ice-cream company

### 1 The benefits that the company can gain from conducting marketing research are:

The company can get **relevant and useful** information about the ice cream market in Hong Kong. It can first estimate how **large and competitive the ice cream market** in Hong Kong is. It can **then identify market opportunities and threats** it will face.

The company can **understand consumers' preferences and consumption habits** through the research. It can then **develop appropriate marketing strategies(4ps)** by analysing the data collected. By taking appropriate marketing actions (strategies), the company can eventually gain market share and earn profits.

### 2 The information I would like to obtain from Hong Kong ice cream consumers includes:

- Frequency of ice cream consumption
- Occasion for ice cream consumption
- Average spending on ice cream per a specified period (e.g., per week)
- Usual place that ice cream is purchased (e.g., supermarket, convenience store, ice cream specialty shop)
- Consumers' preferences regarding ice cream flavours
- Consumers' attitude towards existing ice cream brands
- Consumers' acceptable price range for ice cream products

### 3 To make the decision properly, the company needs to consider the estimated benefits derived from the information collected in the marketing research. The company should conduct the marketing research if the **estimated benefits are greater than the estimated costs**, even if the latter is more than \$200,000.

In fact, \$200,000 is generally not considered a very large amount for this kind of research. Moreover, **entering a new market is a major decision that could lead to a substantial corporate gain or loss**. On this basis, it is likely that the estimated benefits of conducting the research will be greater than the estimated costs incurred (though the costs may be higher than the originally budgeted \$200,000). Hence, the company should proceed with the marketing research.

**2.1 The steps involved in conducting marketing research are:**

- Step 1: **Define** the research objective (1 mark)  
Step 2: **Design** the data collection method (1 mark)  
Step 3: **Implement** the actual data collection (1 mark)  
Step 4: **Analyse** data (1 mark)  
Step 5: **Communicate** the findings (1 mark)

- 2.2** A company needs to conduct marketing research before lowering its product prices because it needs to understand **how its customers may react to the price cut.** (2 marks)  
For example, if the company *lowers the price too much*, its customers may perceive its products as having *lower quality*. In this case, they may buy less instead of more. (2 marks)

Or

Marketing research can help the company estimate its *customers' price sensitivity*. (2 marks)

For example, if customers only buy a little bit more after the company substantially cuts its prices, it would not be worthwhile for the company to do so. This is because the reduced price may eventually **lower the company's total sales revenue.** (2 marks)

- 2.3** *Assume a bank wants to gather more insights or information/attitude on why some people do not want to apply for its credit cards.* The bank may not have any idea about why people do not want to apply for its credit cards. Given the ***exploratory nature of this kind of research method***, a focus group discussion with a handful of participants without the bank's credit cards may serve the purpose. (2 marks)

**2.4** Their differences are as follows:

- In **random sampling**, each element in the **target population** has a known and equal **probability** of being selected. In convenience sampling, every element in the target population is selected with an unknown and unequal probability.
- When compared with **convenience sampling**, the **samples** selected in random sampling are more **representative**.
- A sampling frame is required in random sampling but not in convenience sampling.

**2.5** The major **objectives** of a mobile phone manufacturer in conducting marketing research may include:

- **To do proper marketing planning by finding out the characteristics** of people buying its mobile phone products, the **prospects** of its existing markets and the **potential** for other new markets (e.g., other multimedia telecommunications products).
- To **fine-tune its existing marketing strategies** by better understanding consumers' responses to its products, packaging design, existing price levels, price changes and the company's various promotion mix tools about the mobile phone.
- To properly **control its marketing activities** by determining consumers' degree of satisfaction with its mobile phone products, performance (e.g., market share) of its products and its reputation among the general public.

- 2.6** Given the nature of the survey, the **magazine group** may use **telephone interviews** to collect data. (1 mark)

The reasons are as follows:

- As only a **simple questionnaire** is used to find out readers' satisfaction level, telephone interviews can serve this purpose.
- Using telephone interviews to collect data results in **lower administrative costs**.
- By doing telephone interviews, a **relatively large number of readers** can be reached within a short time.
- Conducting interviews by phone allows a **more personalised and interactive communication** between interviewers and interviewees (unlike mail or electronic means).
- Telephone interview is **less time consuming** than personal interview.