

Italian high grade motorbikes enter Hong Kong

Piaggio, an Italian motorbike brand, opens a concept store with 3,000 square ft. in To Kwa Wan, putting its four main brands into the same place.

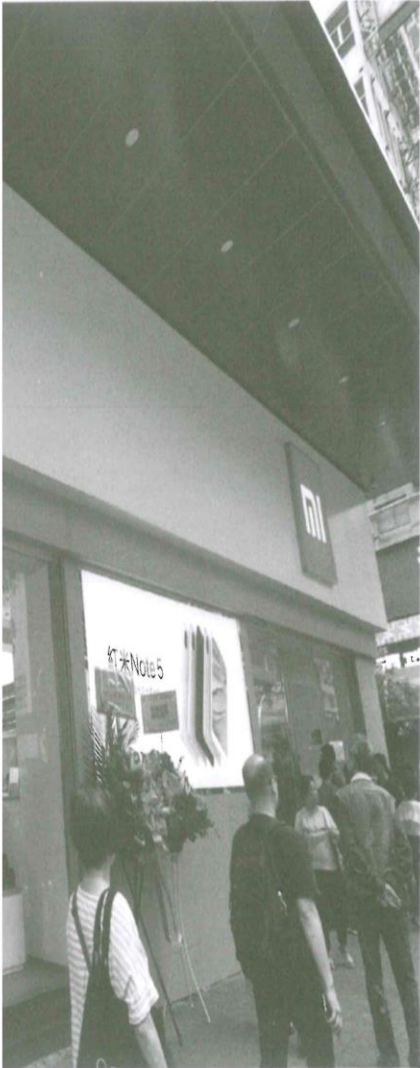
In the age of new retail, Gianluca Fiume, Executive Vice-President of Asia 2 Wheeler at Piaggio, believed that the concept store is a “story house of the brand”. The four brands of the group have their own features yet are still a “family”, so it came the idea to wrap them together. Consumers can, according to their needs and favours, find motorbikes representing different characters and brands. Consumers who like to share their life on social media love to show-off their experience more than the product, so Piaggio targets on sentimental retailing in which the concept store is stationed with technicians and mechanics to offer consultation and after-sales service; meanwhile, it sells accessories and clothing and provides VIP lounge to get rid of the image of a garage.

Electric vehicle is popular all over the world. Fiume revealed that in consideration with the corporation’s responsibility in environmental protection and market needs, one of their brands will launch electric vehicle first. He expected that driving electric vehicle will fuse into life in future, while it is also “the most advanced way”.

Related Topic(s)

- Marketing Management - Role of Marketing
- Marketing Management - Customer Behaviour
- Marketing Management - Marketing Strategies for Goods and Services

a) **The concept store of Piaggio consists of 4 motorcycle brands. There are technicians and mechanics available for consultation and after-sales services. The store also sells motorcycle accessories and clothes. There is also VIP lounge.**



Xiaomi's "triathlon" mode

Xiaomi – the well-known Chinese mobile phones manufacturer seeking – is preparing to be listed in Hong Kong. Lei Jun, the founder, director and CEO, illustrated earlier the developing direction of the enterprise.

Lei referred the business mode of Xiaomi as "triathlon" – including hardware, internet service and new retails. First, the price of Xiaomi's products is set near to the cost. They are then sold by online and offline retail channels. Internet services to clients are also maintained. In terms of revenue proportion, although its major revenue comes from hardware business, its net profit margin is lower. Therefore, Xiaomi will gradually expand its internet service business which has a higher net profit margin.

In the past, Xiaomi's retail channels are mainly online shops and its own physical stores. In May, Xiaomi and CK Hutchison Holdings assembled a global strategic alliance so that its products can be retailed worldwide through CK Hutchison's 14,000 global retailers, including Fortress, Watsons, ParknShop, Hutchison Telecommunications, 3 Group Europe, etc..

Related Topic(s)

- Marketing Management - Marketing Strategies for Goods and Services
- Financial Management - Financial Analysis

a) After Xiaomi formed a global strategic alliance with CK Hutchison, its products can be sold in stores such as Fortress and Watson.

(i) Is it a direct distribution or indirect distribution? State TWO factors for adopting this distribution method. (5 marks)

(ii) Based on the number of channel members, state the distribution methods adopted after the establishment of the global strategic alliance. Besides, give two reasons to explain why this distribution method is suitable to the products in the growth stage of the product life cycle. (5 marks)

b) i) Suppose the pricing of Xiaomi's new product is 'close to the cost of hardware'. What pricing strategy does Xiaomi adopt? (1 mark)

b) ii) State TWO objectives of the pricing strategy mentioned in (i) (4 marks)

c) In 2016, the net profit ratio of Xiaomi's hardware business is 2.8% while the net profit ratio of the internet services business is around 40%

i) Compare with gross profit ratio, write down ONE advantage of adopting net profit ratio as the measure of profitability. (2 marks)

ii) The net profit ratio of Xiaomi's hardware business is lower than that of internet services business. Suggest TWO methods to raise the net profit ratio of Xiaomi's hardware business. (4 marks)



10th anniversary of launching iPhone

Ten years ago, Apple Inc. launched iPhone, the first smart phone ever, which immediately incurred a huge transformation in telecommunication. Traditional mobile phones were replaced at once and users' habit has been changed revolutionarily.

Ten years have passed, Apple's iPhone is still the most popular smart phone in the world, but many competitors have emerged, such as Samsung, Huawei and Xiaomi. On the other hand, there are various changes in Apple's business strategies. For example, at first, Apple only sold one model of iPhone. In recent years, there are more iPhone models. Besides the recently released iPhone SE, at the time of the 10th anniversary, Apple launched the brand-new full screen iPhone X.

Related Topic(s)

- Marketing Management - Marketing Strategies for Goods and Services
- Financial Management - Budgeting

Although iPhone X was launched by Apple, reports reflected an unsatisfactory sale. Apple announced that until the first quarter in late December of last year, 73.32 million iPhones were sold, which was lower than the number of 80 million as expected by markets. However, as the price of this new mobile phone is high, the gross revenue of Apple hit the record at 88.29 billion which increased by 12.7% annually with a profit reaching US\$ 20.07 billion, displaying a bright performance.

a) Because of the increasing number of competitors in the market, Apple launched different models of iPhone.

i) Explain which stage of product life cycle iPhone is at and state Two characteristics of this stage. (5 marks)

ii) According to the stage mentioned in ai), which distribution method should Apple adopt? Explain. (3 marks)

b i) In the point of view of product line, what product strategy is the launch of iPhone X? Explain. (2 marks)

BAFS Marketing revision test #1

Italian high grade motorbikes enter

Hong Kong

(a)(i)

- Increase customer loyalty (1 mark).
- There are technicians and mechanics on duty in the concept store. They provide consultation and after sale services. It will maintain long term relationship among the customers and company. It will increase customer lifetime value (1 mark).
- The concept store also sells motorcycle accessories and clothing and set up VIP lounges. It creates the opportunity of cross-sell in the concept store (1 mark).

(ii)

- Reaching the expectation of customers.
- The 4 main brands of Piaggio have their own features. Consumers can, according their needs and favours, find motorbikes representing different characters and brands.

OR

- Building closer relationships with customers. There are VIP lounge in the concept store, building a social bond among customers and the company.

OR

- Providing additional services.
- There are technicians and mechanics on duty in the concept store. They provide consultation and after sale services. The

concept store also sells accessories and clothes.

(2 marks for each relevant reason and explanation, max. 4 marks)

(b)(i)

Steps:

1. Perform SWOT analysis. The concept store should examine its internal strengths and weaknesses, and also analyse the opportunities and threats during the change in motorcycle market environment.
2. Set marketing goals. The concept store should set a measurable, concrete, challenging and achievable goal, such as increasing customer retention rate.
3. The concept store is required to conduct market research and analyse the trend of the motorcycle market. Then, the concept store should conduct market segmentation and choose the most appropriate market segment.
4. Set marketing strategy. The concept store should choose the appropriate marketing strategy according to the competition in the market.

(2 marks for each relevant step in correct sequence, max. 8 marks)

(ii)

Socio-cultural factors:

- Culture: when customers make buying decisions, they will consider their beliefs, values and customs of the majority of people in society. For example, the feedbacks of motorcycles on the internet.
- Social class: when customers make buying decisions, they will consider their own occupation, income and education level. For example, high income customers will buy more high-end motorcycles.
- Reference group: when customers make purchasing decisions, they consult their family members and friends (direct reference groups) or refer to technicians and mechanics (indirect reference groups).

Psychological factors:

- Motivation: customers make buying decisions as needs, such as people

who want to drive to work may buy a motorcycle.

- Perception: customers will make buying decisions because of the external stimuli, such as the design and hardware of motorcycles.
- Personality and self -concept: when customers make buying decisions, they will consider their own personality and self-image. For example, trendy customers will prefer the motorcycle with the latest design.
- Learning: when customers make buying decisions, they will consider their own experience. For example, a customer buys a motorcycle from a brand and feels that it is suitable. Then, that customer will buy more motorcycles from this brand.

(3 marks for each relevant factor, max. 12 marks)

BAFS Marketing revision test #2

Xiaomi's "triathlon" mode

(a)(i)

Indirect distribution (1 mark).

Factors:

- The cost is relatively high for Xiaomi to develop its own distribution channels.
- The distribution of potential customers of Xiaomi is wide. Hence, it should be more cost-effective to adopt other channel members.

(2 marks for each relevant factor, max. 4 marks)

(ii)

Intensive distribution (1 mark).

Reasons:

- During the growth stage, the number of consumers will increase, and thus, Xiaomi can increase the channel members to distribute its products.
- During the growth stage, the number of competitors will increase, but has not reached the maximum. Hence, Xiaomi can use more channel members to increase its market share.

(2 marks for each relevant reason, max. 4 marks)

(b)(i)

Market penetration pricing (1 mark).

(ii)

Objectives:

- A lower pricing can attract more consumers to try the new products.
- A lower pricing can establish a larger market share in a short period of time.

(2 marks for each relevant objective, max. 4 marks)

(c)(i)

Advantage:

- Net profit ratio will include other costs (such as rent, administrative expenses, etc.) other than the cost of goods sold, but gross profit ratio will not.

(2 marks for each relevant advantage, max. 2 marks)

(ii)

Methods:

- To raise the price of products.
- To purchase the components with lower cost.
- To adopt the distribution channels with lower cost.

(2 marks for each relevant way, max. 4 marks)

BAFS Marketing revision test #3

10th anniversary of launching iPhone

(a)(i)

Maturity stage (1 mark).

Characteristics:

- The growth of sales volume of iPhone slows down.
- Most of the potential buyers have bought iPhone.
- The producing cost of iPhone is relative low because the sales volume is relative high.
- Other producers introduce more substitutes of iPhone.

(2 marks for each relevant characteristic, max. 4 marks)

(ii)

Intensive distribution (1 mark). It is because it can increase the market coverage of iPhone, so as to avoid the existing customers to choose other competitors' products (2 marks).

(b) (i)

Upward stretching (1 mark). It is because the target market of iPhone X is the higher-end consumers (1 mark).

(ii)

Reasons:

- Distinctive: Only a few competitors are developing high-end smart phone.
- Important: The high-end consumers concern about the functions of smart phone.
- Superior: Consumers believes that Apple has higher technology in producing high-end smart phone.
- Communicable: Apple can deliver the advantages of iPhone to the consumers.
- Affordable: The high-end customers of Apple can afford the price of iPhone X.
- Profitable: Apple can increase its profit by selling iPhone X.

(2 marks for each relevant reason, max. 4 marks)

(c)

Causes with remedial actions:

- Cause: The actual price is lower than the budgeted price. Remedial action: To advance the functions of smart phone, so as to raise the price.
- Cause: The actual sales volume is smaller than the budgeted sales volume. Remedial action: To enhance promotion, so as to increase the popularity of smart phone.
- Cause: The actual proportion of high-price smart phone in whole sales is lower than the budgeted proportion. Remedial action: To reduce the promotion of low-price smart phone and increase the promotion of high-price smart phone.

(3 marks for each relevant cause and remedial action, max. 6 marks)
