
UNIVERSITI SAINS MALAYSIA

Second Semester Examination
Academic Session 2007/2008

April 2008

AMP347E – Strategic Marketing
[Pemasaran Strategik]

Duration: 2 hours
[Masa: 2 jam]

Please check that this examination paper consists of **EIGHTEEN** pages of printed material before you begin the examination.

*[Sila pastikan bahawa kertas peperiksaan ini mengandungi **LAPAN BELAS** muka surat yang bercetak sebelum anda memulakan peperiksaan].*

Instructions: Answer **ALL** questions. You may answer a question either in Bahasa Malaysia or in English.

Arahan: Jawab **SEMUA** soalan. Anda dibenarkan menjawab soalan samada dalam Bahasa Malaysia atau Bahasa Inggeris].

Question 1/Soalan 1 (30 marks/markah)

Read and analyze the case (in Appendix A, page 7-18). Answer the following questions:

Baca dan analisa kes (dalam Lampiran A, muka surat 7-18). Jawab soalan-soalan berikut:

(Reference/Rujukan: Kerin, Roger A, and Robert A Peterson (2007). *Strategic Marketing Management: Cases and Comments*, (11th Ed.), New York: Pearson Education.)

- (a) What is the major problem/issue in the case?

Apakah masalah/isu utama dalam kes tersebut?

[3 marks/markah]

- (b) List out three alternatives (3) to solve the above problem/issues.

Senaraikan tiga (3) alternatif untuk menyelesaikan masalah/isu di atas.

[3 marks/markah]

- (c) List out four (4) main criteria to evaluate the proposed alternatives.

Senaraikan empat (4) kriteria utama yang boleh digunakan untuk menilai alternatif yang dicadangkan di atas.

[4 marks/markah]

- (d) List out five (5) advantages and five (5) disadvantages of pursuing one of the alternatives.

Senaraikan lima (5) kelebihan dan lima (5) kelemahan dalam melaksanakan salah satu daripada alternatif di atas.

[5 marks/markah]

- (e) Draw out the brand positioning map for Scope.

Lukiskan peta peletakan untuk jenama Scope.

[5 marks/markah]

- (f) Briefly, what must be done by the company to pursue the following strategies for Scope?

Secara ringkas, apakah yang mesti dilakukan oleh syarikat untuk melaksanakan strategi-strategi berikut untuk Scope?

- (i) Market penetration strategies.

Strategi penembusan pasaran.

[5 marks/markah]

- (ii) Market development strategies.

Strategi pembangunan pasaran.

[5 marks/markah]

Question 2/Soalan 2 (70 marks/markah)

The report on the following pages (page 4-6) shows the performance of an airline company. Study the reports and answer the following questions:

Laporan dalam muka surat berikut (muka surat 4-6) adalah laporan pencapaian sebuah syarikat penerbangan. Kaji laporan tersebut dan jawab soalan-soalan berikut:

- (a) List down five (5) market indicators that can be used to measure the market performance of the airline company.

Senaraikan lima (5) petunjuk pasaran yang boleh digunakan untuk mengukur pencapaian pasaran syarikat penerbangan tersebut.

[2 marks/markah]

- (b) List out the three (3) major determinants of the profitability of an airline company.

Senaraikan tiga (3) faktor utama yang menentukan keuntungan sebuah firma penerbangan.

[3 marks/markah]

- (c) Briefly discuss the three (3) major profitability determinants above.

Bincangkan secara ringkas tiga (3) penentu utama keuntungan tersebut di atas.

[15 marks/markah]

- (d) Write a brief three-year marketing plan for the airline company.

Secara ringkas, tuliskan satu rancangan pemasaran tiga-tahun untuk syarikat penerbangan tersebut.

[50 mark/markah]

Quarter 6	ASTANA	INDUSTRY B	Co.# 6
** INCOME STATEMENT **		** BALANCE SHEET **	
Gross Revenue (Fare .29)	3270722	Cash	1267531
- Commissions	258835	Short-Term Investment	0
- Refunds (Reliability= 0.925 %)	245304	Accounts Receivable	1308289
+ Interest Income	0	Total Current Assets	2575820
Net Revenue	2766583	Aircraft:	
Expenses:		Cost	2500000
Flight Operations	615744	- Depreciation	1062500
Fuel	558728	Net Aircraft	1437500
Maintenance	533644	Facilities-Net	70000
Passenger Service	410495	Total Fixed Assets	1507500
Cabin Service	0		
Insurance	94320	Total Assets	4083320
Promotion & Advertising	6000		
Sales Force Cost	108000	Accounts Payable	1139276
Add. Emp Compensation	0	Short Term Loans	1520000
Quality and Training	1500	Total Current Liab	2659276
Hiring/OJT Cost	75000		
Social Performance	0	Long Term Loans	602611
Market Research	31000	Total Liabilities	3261887
Interest Exp(net)	59157		
Lease Payment	904000	Common Stock	3200000
Administrative Exp	400000	Retained Earnings-2378567	
Depreciation	48750	Total Equity	821433
Other Expense	0		
Total Operating Exp	3846338	Total Liab & Equity	4083320
Operating Profit/Loss	-1079755		
+/- Other Profits/Losses	0		
Cargo Profit/loss less Mktng	0		
Profit Before Tax	-1079755		
Less Income Tax	0		
Net Profit After Tax	-1079755		
Dividends Paid	0		
Profits Retained	-1079755		
** CASH FLOW ANALYSIS **		**OTHER DATA**	
Beginning Cash	2247480	Economic Index this Qtr	103
Short Term Investment	0	Total Aircraft/Seats	11/262
60% of Gross Revenue	1962433	Total Passengers	57856
Accounts Receivable +	1328980	Miles Flown per day	9740
Stock Sold & Int Income+	300000	Maximum Mileage/day	19800
Loan Proceeds +	0	Avail Seat Miles	17104000
Oth Income & A/C Sale +	0	Rev Pass Miles	11852243
Cargo Income less Exp +	0	Pass Load Factor	0.693
Total Cash Inflow	5838893	Yield per Rev Pass Mi	0.276
		Cost per Aval Seat Mi	0.254
Commissions/Refunds -	504139	Yield per Avail Seat Mi	0.191
70% Of Oper Expense -	2658311	Quality Index (0-100)	55
Accounts Payable -	1045593	Total Salespersons	9
Income Tax -	0	Total Employees	306
Total Loan Payments -	363318	Employee Turnover(8.17 %)	25
Purchase S-T Invest -	0	Fuel:Spot Pr This Qtr	1.09
Dividends -	0	Fuel:Contract Next Qtr	1.07
Equipment Purchase -	0	Line of Credit	581560
Net Cash	1267531	Short Term Int Rate	12%
Overdraft Loan	0	Shares Stock Outstdnd	306517
Ending Cash	1267531	Stock Price: Per Share	6.71
		Earnings Per Share	-3.52

** 2.

*** FLEET STATUS REPORT ***

SERIAL NUMBER	A/C TYPE	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	QUARTERLY LEASE COST
1	A	700000	273500	426500	0
2	A	800000	334000	466000	0
3	A	1000000	455000	545000	0
4	A	0	0	0	80000
5	C	0	0	0	132000
6	C	0	0	0	132000
7	B	0	0	0	82000
8	C	0	0	0	132000
9	B	0	0	0	82000
10	C	0	0	0	132000
11	C	0	0	0	132000

*** MARKET RESEARCH STUDIES ***

Smith Econometrics Business Forecast for next 4 qtrs: 104 99 101 103
 Emp. Comp Co 1 to 8 : 3/3 3/1 3/1 5/3 3/1 0/0 0/0 0/0
 Golden & Associates report Avg Industry Quality & Training Budget 32859
 Fare for Each Co: .51 .51 .51 .51 .49 .29 .35 .35
 Cabin Service Codes for Co# 1 To 8 3 3 3 3 3 0 0 0
 Market Research Study for Daily Seats Sold is on page 3 under Total Sold.
 Average promotion budget: 5501 Average advertising budget: 6750
 Avg Quality Score: 74
 Salespersons Co# 1 to 8 : 20 13 12 1 0 9 0 0
 Firms in the cargo business: Co # 1 2 3

*** NEWS MESSAGES TO YOUR FIRM INCLUDING INCIDENT FEEDBACK ***

Dividend adjusted/cancelled due to profits or negative retained earnings.
 Your counter offer has been rejected by the major carrier. They require more control over their dual-designators than you are willing to give.
 In a separate announcement, the major added 6 flights to your regional hub :-(
 Employee turned baggage truck over. Damages of \$1000 charged to Other Expense.
 Are you training employees? Check your training budget.

*** INDUSTRY NEWS MESSAGES ***

Use Incident G next Quarter.
 New construction in industrial parks should increase demand in type E mkts.

Stock Prices for Co's 1 thru 8 :
 77.45 90.48 4.87 4.62 110.55 6.71 10.81 10.81

Total Aircraft/Total Seats for Each Co:
 4/184 4/168 3/138 3/134 4/113 11/262 3/57 3/57

Current Return Ratio	Return on Sales	Return on Eqty	Return on Assets	Debt to Equity	Daily Seat Productivity	Yieldper ASM	Profit per Seat
.82	-.067	.493	-.016	4.228	4.22	.219	2148

Page 3 Quarter 6 ** DAILY SALES by MARKET ** Co. # 6

Ma Est. Note: Your firm will be in the left hand column with following format:
 rk Total FltsPerDay/SeatsPerDay/FareSale/SeatsSold. Competitors will be
 et Seats to the right with Format: Co#/FltsPerDay/SeatsPerDay/FareSale
 # Sold Competitor's sales will not be listed. Sales are rounded.

1	39	3/57/0/39			
2	0				
3	0				
4	41	2/60/0/41			
5	0				
6	0				
7	0				
8	0				
9	0				
10	33	3/54/0/33*			
11	72	3/90/2/72*			
12	2		4/3/0/0		
13	0				
14	0				
15	44		4/4/136/0		
16	57		4/4/200/0		
17	456		1/1/184/2	2/4/168/2*	4/3/150/3 5/1/113/2
18	19		5/3/57/0		
19	0				
20	429		1/1/184/2	2/4/168/2#	5/2/226/2
21	39	2/38/0/26	5/2/38/0		
22	54	3/57/0/38	5/1/68/2		
23	40	2/38/0/27	5/2/38/0		
24	65	2/68/1/46	5/3/57/0		
25	42	3/57/0/42			
26	32		3/2/92/0		
27	31		7/3/57/0		
28	32		3/2/92/0		
29	429		1/1/184/2	2/4/168/2#	5/2/226/2
30	37		7/2/38/0	8/2/38/0	
31	52		7/3/57/0	8/3/57/0	
32	40		7/2/38/0	8/2/38/0	
33	57		7/3/57/0	8/3/57/0	
34	31		8/3/57/0		
35	32		3/2/92/0		

Note: # = first quarter in a new market * = 2nd quarter in a new market
 Note: TOTAL SEATS SOLD column will have values if \$8,000 Mkt Res was purchased.

CASE

Procter & Gamble, Inc.

Scope

As Gwen Hearst looked at the year-end report, she was pleased to see that Scope held a 32 percent share of the Canadian mouthwash market for 1990. She had been concerned about the inroads that Plax, a prebrushing rinse, had made in the market. Since its introduction in 1988, Plax had gained a 10 percent share of the product category and posed a threat to Scope. As Brand Manager, Hearst planned, developed, and directed the total marketing effort for Scope, Procter & Gamble's (P&G) brand in the mouthwash market. She was responsible for maximizing the market share, volume, and profitability of the brand.

Until the entry of Plax, brands in the mouthwash market were positioned around two major benefits: fresh breath and killing germs. Plax was positioned around a new benefit—as a “plaque fighter”—and indications were that other brands, such as Listerine, were going to promote this benefit. The challenge for Hearst was to develop a strategy that would ensure the continued profitability of Scope in the face of these competitive threats. Her specific task was to prepare a marketing plan for P&G's mouthwash business for the next three years. It was early February 1991, and she would be presenting the plan to senior management in March.

■ COMPANY BACKGROUND

Based on a philosophy of providing products of superior quality and value that best fill the needs of consumers, Procter & Gamble is one of the most successful consumer goods companies in the world. The company markets its brands in more than 140 countries and had net earnings of \$1.6 billion in 1990. The Canadian subsidiary contributed \$1.4 billion in sales and \$100 million in net earnings in 1990. It was recognized as a leader in the Canadian packaged-goods industry, and its consumer brands led in most of the categories in which the company competed.

Between 1987 and 1990, worldwide sales of P&G had increased by \$8 billion and net earnings by \$1.3 billion. P&G executives attributed the company's success to a variety of factors, including the ability to develop truly innovative products to meet consumers' needs. Exhibit 1 on page 208 contains the statement of purpose and strategy of the Canadian subsidiary.

P&G Canada has five operating divisions, organized by product category. The divisions, and some of the major brands, are:

1. *Paper products*: Royale, Pampers, Luvs, Attends, Always
2. *Food and beverage*: Duncan Hines, Crisco, Pringles, Sunny Delight
3. *Beauty care*: Head & Shoulders, Pantene, Pert, Vidal Sassoon, Clearasil, Clarion, Cover Girl, Max Factor, Oil of Olay, Noxzema, Secret

This case was prepared by Professors Gordon H. G. McDougall and Franklin Ramsoomair, of the Wilfrid Laurier University, as a basis for class discussion and is not designed to illustrate effective or ineffective handling of an administrative situation. Used with permission.

EXHIBIT 1**A Statement of Purpose and Strategy: Procter & Gamble, Canada**

We will provide products of superior quality and value that best fill the needs of consumers.

We will achieve that purpose through an organization and a working environment which attracts the finest people, fully develops and challenges our individual talents; encourages our free and spirited collaboration to drive the business ahead; and maintains the Company's historic principles of integrity, and doing the right thing.

We will build a profitable business in Canada. We will apply P&G worldwide learning and resources to maximize our success rate. We will concentrate our resources on the most profitable categories and on unique, important Canadian market opportunities. We will also contribute to the development of outstanding people and innovative business ideas for worldwide company use.

We will reach our business goals and achieve optimum cost efficiencies through continuing innovation, strategic planning, and the continuous pursuit of excellence in everything we do.

We will continuously stay ahead of competition while aggressively defending our established profitable businesses against major competitive challenges despite short-term profit consequences.

Through the successful pursuit of our commitment, we expect our brands to achieve leadership share and profit positions and that, as a result, our business, our people, our shareholders, and the communities in which we live and work, will prosper.

Source: Company records.

4. *Health care:* Crest, Scope, Vicks, Pepto-Bismol, Metamucil
5. *Laundry and cleaning:* Tide, Cheer, Bounce, Bold, Oxydol, Joy, Cascade, Comet, Mr. Clean

Each division had its own Brand Management, Sales, Finance, Product Development and Operations line management groups and was evaluated as a profit center. Typically, within each division a Brand Manager was assigned to each brand (for example, Scope). Hearst was in the Health Care division and reported to the Associate Advertising Manager for oral care, who, in turn, reported to the General Manager of the division. After completing her business degree (B.B.A.) at a well-known Ontario business school in 1986, Hearst had joined P&G as a Brand Assistant. In 1987 she became the Assistant Brand Manager for Scope, and in 1988 she was promoted to Brand Manager. Hearst's rapid advancement at P&G reflected the confidence that her managers had in her abilities.

■ THE CANADIAN MOUTHWASH MARKET

Until 1987, on a unit basis the mouthwash market had grown an average of 3 percent per year for the previous 12 years. In 1987, it experienced a 26 percent increase with the introduction of new flavors such as peppermint. Since then, the growth rate had declined to a level of 5 percent in 1990 (Exhibit 2).

The mouthwash market was initially developed by Warner-Lambert with its pioneer brand Listerine. Positioned as a therapeutic germ-killing mouthwash that eliminated bad breath, it dominated the market until the entry of Scope in 1967. Scope, a green, mint-tasting mouthwash, was positioned as a great-tasting, mouth-refreshing brand that provided bad-breath protection. It was the first brand that offered both effective protection against bad breath and a better taste than other mouthwashes. Its advertising focused, in part, on a perceived weakness of Listerine—a medicine breath

EXHIBIT 2

Canadian Mouthwash Market

	1986	1987	1988	1989	1990
Total retail sales (millions)	\$43.4	\$54.6	\$60.2	\$65.4	\$68.6
Total factory sales (millions)	\$34.8	\$43.5	\$48.1	\$52.2	\$54.4
Total unit sales (thousands) ^a	863	1,088	1,197	1,294	1,358
(% change)	3	26	10	8	5
(% change—"breath only") ^b	3	26	0	3	5
Penetration (%) ^c	65	70	75	73	75
Usage (number of times per week) ^d	2.0	2.2	2.3	2.4	3.0

^aOne unit or statistical case equals 10 liters or 352 fluid ounces of mouthwash.

^bExcludes Plax and other prebrushing rinses.

^cPercentage of households having at least one brand in home.

^dFor each adult household member.

Source: Company records.

(for example, "Scope fights bad breath. Don't let the good taste fool you")—and in 1976, Scope became the market leader in Canada.

In 1977, Warner-Lambert launched Listermint mouthwash as a direct competitor to Scope. Like Scope, it was a green, mint-tasting mouthwash and positioned as a "good tasting mouthwash that fights bad breath." Within a year it had achieved a 12 percent market share, primarily at the expense of Listerine and smaller brands in the market.

In the 1970s, Merrell Dow, a large pharmaceutical firm, launched Cepacol, which was positioned very close to Listerine. It achieved and held approximately 14 percent of the market in the early 1980s.

During the 1980s, the major competitive changes in the Canadian mouthwash market were:

- Listerine, which had been marketed primarily on a "bad breath" strategy, began shifting its position and in 1988 introduced the claim "Fights plaque and helps prevent inflamed gums caused by plaque." In the United States, Listerine gained the American Dental Association seal for plaque but, as yet, did not have the seal in Canada.
- Listermint added fluoride during the early 1980s and added the Canadian Dental Association seal for preventing cavities in 1983. More recently, Listermint had downplayed fluoride and removed the seal.
- In early 1987, flavors were introduced by a number of brands including Scope, Listermint, and various store brands. This greatly expanded the market in 1987 but did not significantly change the market shares held by the major brands.
- Colgate Fluoride Rinse was launched in 1988. With the seal from the Canadian Dental Association for cavities, it claimed that "Colgate's new fluoride rinse fights cavities. And, it has a mild taste that encourages children to rinse longer and more often." Colgate's share peaked at 2 percent and then declined. There were rumors that Colgate was planning to discontinue the brand.
- In 1988, Merrell Dow entered a licensing agreement with Strategic Brands to market Cepacol in Canada. Strategic Brands, a Canadian firm that markets a variety of consumer household products, had focused its efforts on gaining greater distribution for Cepacol and promoting it on the basis of price.