

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya.**

**Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.must.ac.ke**](http://www.must.ac.ke) **Email:** [**info@must.ac.ke**](mailto:info@must.ac.ke)

**University Examinations 2015/2016**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

**BFA 5127: MARKETING MANAGEMENT**

**DATE: NOVEMBER 2015 TIME: 3 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***three*** *questions*

**QUESTION ONE (24 MARKS)**

Case Study – ACME Engineering

Pamela Sapienza has been the accountant at ACME Engineering for over 20 years. During that time one of her responsibilities has been to help set prices for new products launched by the company. In her view this has never posed problems.

As an experienced cost and management accountant, Sapienza has taken the approach of estimating the average cost of producing any new product and then simply adding on a predetermined mark up for profit set by the managing director in line with required rates of return. In her and the company’s view, this pricing method has worked well and has a number of advantages. She feels it is the simplest method and it ‘ensures’ that costs are covered and a profit is made. Finally, she sees it as a ‘fair’ method of pricing which can be justified both to customers and the outside world.

Over this twenty year period not all new products launched by the company have been successful. Of the unsuccessful ones, no one has ever blamed price as being a reason for failure.

The view has been taken that how could price be wrong if it was based on a factual assessment of average cost with a fair margin for profit added.

Sapienza has never had to think or consider the effect or otherwise of price on product success and failure, and has left these considerations to the design team and the marketers who are, after all, collectively responsible for new products.

Things have now changed. As a result of appointing a new marketing manager who has had a new innovative product developed quickly, Sapienza found her position as regards pricing decisions challenged. The new marketing manager has simply asked Sapienza for some cost estimates. When she asked how these were going to be used and proposed a price for the new product based on these estimates, she was told that the new product would be priced using a customer-value based method. Sapienza had never heard of this.

It was explained that for the new product it was necessary to establish the economic value of the product to the customer (EVC) and that Sapienza was expected to help in the costing side of this exercise. She was now extremely worried. Not only did she wonder why it was not sufficient to use cost-plus,, but she had no idea what establishing the economic value of the product to a customer meant and what information and analysis would be required to establish the EVC.

**Questions:**

1. What arguments can be used in this context to justify a customer-value based pricing method as opposed to the simpler cost-plus method? (10 Marks)
2. What information and analyses will be required by Sapienza to assess the EVC of the new product, and what problems might there be in using this approach to pricing? (10 Marks)
3. Discuss any other pricing strategies that would be considered more appropriate for ACME Engineering? (4 Marks)

**QUESTIONS TWO: (12 MARKS)**

1. The environment is critical in the marketing Decisions and planning. Discuss the components from the internal and external environment and how it can impact on marketing decisions. (7 Marks)
2. Explain the role of ethics in marketing management decisions. (7 Marks)

**QUESTION THREE: (12 MARKS)**

1. Using your own words, define marketing research. (2 Marks)
2. To create successful products, business organizations must find and nurture new products to enter identified market (s). Explain the new-product development process that they ought to follow to ensure success of such product s/services. (10 Marks)

**QUESTION FOUR: (12 MARKS)**

1. Explain the elements of the promotion mix and discuss factors that must be considered in shaping the overall promotion mix. (7 Marks)
2. Why should firms continuously scan the environment (5 Marks)

**QUESTION FIVE: (12 MARKS)**

1. By use of a specific brand of your choice, discuss how you would successfully employ different strategies at every stage of the brand’s life cycle for it to be competitive in the market.

(12 Marks)