

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

UNIVERSITY OF MALTA, MSIDA

MATRICULATION EXAMINATION
ADVANCED LEVEL
MAY 2013

SUBJECT:	MARKETING
PAPER NUMBER:	I
DATE:	13 th May 2013
TIME:	4.00 p.m. to 7.00 p.m.

Answer ANY FIVE (5) questions.

All questions carry equal marks (20 marks each).

1. Outline the various forms of intermediaries and discuss their respective roles in the distribution chain. (20 marks)
2. (a) Distinguish between primary and secondary research and describe the main methods of carrying out primary research. (8 marks)
(b) Outline the marketing research process. (12 marks)
3. Discuss the main components of a cruise liner company's micro and macro environment. (20 marks)
4. (a) Define 'price elasticity' of demand. (8 marks)
(b) Outline and explain the objectives of pricing. (6 marks)
(c) Discuss the internal and external influences on pricing. (6 marks)
5. Why do companies enter export markets? Discuss and explain your answer, applying suitable and practical examples. (20 marks)
6. Discuss the process of new product development. Apply your answer to a product of your choice. (20 marks)
7. An important element in most tangible products (such as cosmetics, biscuits, and pharmaceutical products) is packaging. Discuss the role of packaging as a marketing tool. (20 marks)
8. Outline the personal selling process and explain the relevance of personal selling to business, providing suitable examples. (20 marks)

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MAY 2013

SUBJECT:	MARKETING
PAPER NUMBER:	II
DATE:	14 th May 2013
TIME:	9.00 a.m. to 12.00 noon

Answer ALL questions in Section A and ANY TWO [2] questions from Section B.

Section A – Answer ALL questions.

The Starbucks Story

The rise of Starbucks from a single coffee store in Seattle’s Pike Place market to a Fortune 500 company is now an American business legend.

Howard Schultz lived in New York where he managed the U.S. operations of a Swedish kitchen ware company. Intrigued as to why a small Seattle company, Starbucks Coffee, Tea and Spice, was ordering large quantities of an unusual kind of coffee filter – a plastic cone on top of a thermos – he visited the store in 1981. The cup of coffee he was given there, made from freshly ground Sumatra beans, was a revelation. “I realized the coffee I had been drinking was swill.” The owner managers of Starbucks were Gerald Baldwin and Gordon Bowker, former University of San Francisco students who had been running the company for 10 years. Shultz was captivated by the vision of a national chain of coffee stores. Despite their reservations about the threat of Schultz’s energy and ambition to the mellow ambiance of their business, Baldwin and Bowker eventually hired Shultz as their head of marketing.

Within a year of joining Starbucks, Shultz’s vision of the company shifted radically. On a business trip to Milan he discovered “the romance of the Italian coffee bar” and recognized the opportunity for Starbucks to be a place where people would come to share the experience of drinking great coffee rather than to simply buy coffee beans. “It crystallized in my mind that coffee brought people together...and that as far as I envision, at the time there did not exist in the U.S. a place that brought people together with coffee as the conduit.”

Unable to convince his Starbucks bosses of his vision, Shultz opened his own Italian coffee bar, Il Giornale, in 1986. A year later he bought the Starbucks company and its six stores, merged it with his three Il Giornale bars and adopted the Starbucks name for the enlarged company.

The Starbucks Experience

Central to Starbucks’ strategy is Shultz’s concept of the “Starbucks Experience”. Starbucks stores, like the original Il Giornale coffee bars, were founded on Shultz’s idea of creating a “third place” - somewhere other than home and work where people could engage socially amidst the shared experience of drinking good coffee. Despite his original idea of replicating Italian coffee bars where customers mostly stand to drink coffee, Shultz adapted his vision to “the American equivalent of the English pub, the German beer garden and the French Café.” With the addition of wi-fi, Starbucks stores become a place to work as well as to socialize. The Starbucks Experience combined a number of elements:

- **Coffee beans of high, consistent quality.** Starbucks formed long-term arrangements with coffee growers in order to ensure that Starbucks' requirements are met while ensuring economic viability of the growers.
- **Employee involvement.** The counter staff at Starbucks stores, the baristas, played a central role in creating and sustaining the Starbucks experience. Their role was not only to brew and serve excellent coffee but to engage customers in the unique ambiance of the Starbucks coffee shop. Starbucks' human-resource practices with regard to firing, training and remunerations were very different from those of other U.S. restaurant chains. "Shultz felt he had to make employees partners in his vision. He had to infuse them with the Starbucks' culture, provide them with personal security and give them a reason to be involved in the success of the business." Its training program extended beyond basic operating and customer-service skills, to also educate employees about coffee. Unique among catering chains, Starbucks provided health insurance for almost all regular employees.
- **Community relations and social purpose.** Shultz's approach to human resource management was not simply about the role of Starbucks' employees as key agents in transmitting the Starbucks' Experience, but also part of a broader vision of a common humanity: "I wanted to build the kind of company my father never had the chance to work for, where you would be valued and respected wherever you came from, whatever the colour of your skin, whatever your level of education. Shultz's vision was of a company that would earn profits but would also do good in the world: "Perhaps we have the opportunity to be a different type of global company. One that makes a profit but at the same time demonstrates a social conscience." Some of Starbucks' initiatives included:
 - Starbucks Shared Planet: a set of environmental sustainability, community service and ethical targets to be achieved by 2011.
 - Increased commitment to small-scale coffee farmers by doubling Starbucks purchase of Fair Trade Certified Coffee in 2009.
 - Partnership with Bono and the Global Fund to donate 5 cents from the sale of each serving of certain Starbucks' beverages to support AIDS programs in Africa.
- **The layout and design of Starbucks stores** were seen as critical elements of the experience. Starbucks has a store design group that is responsible for the design of the furniture, fittings and layout of Starbucks' retail outlets. Like everything else at Starbucks, store design is subject to meticulous analysis and planning following Shultz's dictum that "retail is detail". While every Starbucks store is adapted to reflect its unique neighbourhood, "there is a subliminal unifying theme to all the stores that ties into the company's history and mission "back to nature" without the laid back attitude; community minded without stapled manifestos on the walls. The design of a Starbucks store is intended to provide both unhurried sociability and efficiency on-the-run, an appreciation for the natural goodness of coffee and artistry that grabs you even before the aroma. This approach is reflected in the designers' generous employment of natural woods and richly layered, earthy colours along with judicious high-tech accessorizing.
- **Starbucks' location strategy.** The clustering of 20 or more stores in each urban hub was viewed as enhancing the experience both in creating a local "Starbucks buzz" and in facilitating loyalty by Starbucks' customers. Starbucks' analysis of sales by individual store found little evidence that closely located Starbucks stores cannibalized one another's sales. Recognising that convenience of location was critical to driving sales, Starbucks began adding drive-through windows to some of its stores and locating stores specifically to capitalize on drive-through customers.

Source: Adapted from a case study on Starbucks, by Robert M. Grant, P., 'Cases to Accompany Contemporary Strategy Analysis', 2010.

Answer ALL questions in Section A

1. The case study refers to the ‘Starbucks Experience’ and draws attention to a number of elements in the marketing mix. Outline these elements and explain their relevance to the Starbucks brand. (15 marks)
2. Distinguish between the product concept, the marketing concept and the societal marketing concept. In your opinion, which of these three concepts is Starbucks adopting? Explain your reasoning by referring to information in the case study. (10 marks)
3. An important products tool in marketing is the ‘levels of the product’. The case study notes that the Starbucks store was built on the idea that it offers more than just a place where one would drink a cup of coffee. By applying the ‘levels of the product’ tool and relevant text case material, explain the product offered at a Starbucks store. (15 marks)

Section B

Answer ANY TWO (2) questions. All questions carry equal marks (30 marks each).

1. You have been assigned to locally launch a new range of organic baby foods. Although the brand name is already established on the local scene and is associated with baby food products, the concept of organic baby foods is still relatively new amongst target audiences. Discuss how you would segment, target and position this new product locally. (30 marks)
2. Compare the buying process a consumer would typically go through when purchasing a new house and a routine grocery item, such as milk. (30 marks)
3. You have been given the responsibility to re-position your existing 5-star hotel as an environmentally conscious ‘Green Hotel’.
 - (a) Outline and briefly describe the main elements of the services marketing mix. (10 marks)
 - (b) Explain, with appropriate examples, which of the elements of the mix you would seek to address in establishing your hotel as a ‘Green Hotel’. (20 marks)
4.
 - (a) Briefly outline the main components of the marketing communications mix. (10 marks)
 - (b) Imagine that you are opening a new sports clothing retail outlet, selling a number of renowned sports brands. Discuss which of the above components in the communications mix you would employ in launching and promoting the above retail outlet and explain your reasoning. (20 marks)