MUEO

MOI UNIVERSITY

OFFICE OF THE CHIEF ACADEMIC OFFICER

UNIVERSITY EXAMINATIONS
2010/2011 ACADEMIC YEAR

FIRST SEMESTER EXAMINATION

FOR
MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 840

COURSE TITLE: MARKETING MANAGEMENT

DATE: 18TH FEBRUARY, 2011 **TIME:** 9.00 A.M. – 12.00 NOON.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

MBA 840: **MARKETING MANAGEMENT**

Instructions to Candidates

- **Answer question ONE in Section A and any other THREE Questions in Section B**

Section A

QUESTION ONE

(a) Read the attached case and answer the questions that follow. **(40 Marks)**

Case

Mobile price Wars in Kenya

Safaricom's market share has shrunk a clear indication that the vicious price war over mobile phone calling rates is drilling deep holes into the industry's revenues. According to its financial reports, Safaricom had a market share 78.3 percent in March 2010 which fell to 76.7 percent in September. Despite remaining market leader at the end of the year, the Nairobi Stock Exchange-listed firm's portion of the pie of the telecoms market had shrunk to about 72 per cent. In August, when it ignited the market with low calling and short message service rates, Airtel, then Zain Kenya, had a market share of 16.9 per cent before accelerating to settle at 20 percent, according to the latest data. Orange Kenya's market share stagnates at around 3 per cent while Essar Telecom's share has seen a steady rise to 5 per cent since its YU brand was launched in the market.

Safaricom, which has been controlling over 50 per cent of new SIM card sales, experienced a decline to 40 per cent between August and September 2010, a figure that began moving up again toward the end of the year. During the period the three other operators – Airtel, YU and Orange–recorded slight increases in SIM card sales mostly due to the price war. This has remained constant; a scenario analysts are saying is one of the reasons why Airtel, the country's second mobile phone operator, has moved in to stimulate the market with another tariff reduction. Insiders say the firm's target is to increase its share by at least 10 per cent to make business sense. Last week, Airtel sprang another surprise on the market by lowering the calling rate within its network from sh.3 to sh. 1per minute. The tariff is applied between 6 a.m and 6 p.m, and subscribers will have to subscribe daily at a cost sh. 1. The mobile phone operator says the move is in line with the strategy of its parent company, India's Bharti Airtel, of appealing to the mass market."Our focus at the moment is not on profitability but on the volumes," Rene Meza, Airtel Kenya managing director, told the press at Hotel Intercontinental Nairobi.

Peter Wanyonyi, telecoms analysts, says Bharti Airtel, one of the top five mobile phone companies in the world, have a management model that has outsourcing at the core of their business. This means they can focus on customer acquisition - at the expense of other players. Airtel also seems to have bottomless pockets: a war chest that is limitless that has been turned on to the primary objective of acquiring customers away from better deals. "Such strategies are not unique as other operators YU and Orange also have similar ones meant to change talking habits and increase the minutes of usage and boost usage," said Atul Chaturvedi, yu country manager.

Orange's chief executive Mickael Ghossein said that their experience in the last six months since prices came down has shown that subscribers were not swayed by prices cuts but the value and quality of the service."Other than erosion of revenues as a result of the prices wars, we have not seen much impact across networks in terms of increased traffic to substantiate that pricing alone as a strategy works in this market," he said. Orange has promotion that gives its subscribers an option to subscribe for sh.100 a month (sh.3.3 a day) that allows them to call for free between 10 a.m. and 5 p.m.
In what is seen as taking a dig at Airtel's tariff dubbed "Feelanga Free Kilasiku" (Sheng for relax everyday) Orange, in a full-page advertisement replied "Don't just feel free, talk for free"

The industry has seen the average revenue per user (ARPU) decline in the recent past, and each operator is in a rush to increase minutes of usage. The industry ARPU stands at sh 362.20 compared to sh.425.85 in 2007 and sh.376.5 in 2008, according to the industry regulator, Communications Commission of Kenya. Essar Telecom is running two proportions -- one for sh.10 and another sh.20 per day – allowing its subscribers to make unlimited calls and send SMSs, respectively, per day.

However going by the trend, it is inevitable that the other operators are, and will continue to be, cast in the unusual role of having to respond to moves made by Airtel in the market, rather than leading from the front. Mr. Wanyonyi warns that taxes from the sector will continue to fall as revenues head downwards under intense price war pressures, and profitability will follow suit with plummeting revenues. The analyst says more worrying for the consumer is the likelihood that quality of service will deteriorate even further. "Operators will see little justification in improving call and related quality when profits are falling under assault from Airtel's strategy," he added, "Improving service quality requires investment in new infrastructure, but with ever-reducing revenues, this will not happen". But the minister for information and communication says that the price war is good for the customers.

Some contents extracted from Sunday Nation, January.16, 2011.

Questions

(a) What are the objectives of pricing in this case? (10 marks).

(b) Evaluate Rene Meza, Artel Kenya managing director's thinking. (5marks)

(c) Evaluate Orange's chief executive Mickael Ghossein comments. (5 marks)

(d) Assuming that you are to advise safaricom on the way forward what should the company do. (10 marks)

(e) Explain the role of the other three Ps in the mobile industry . (10 marks).

Section B. Answer any Three questions

QUESTION TWO

Many consumer purchasing situations involve complex buying decisions. Describe a personal situation which illustrates this point and explain how the "Five stage buying process' model is relevant to this situation. How would the understanding of the model be of use to a marketer?

(20 marks)

QUESTION THREE

You have been appointed as the Marketing Manager of Keroche Industries, discuss why it is important to segment the beer market highlighting the segmentation basis you use. Conclude your discussion with a look at the criteria for effective segmentation of the beer market in Kenya.

(20 marks)

QUESTION FOUR

Tamu Ltd a manufacturer of confectionaries cost of production has been increasing in the recent years and the management feels that an upward adjustment of prices can resolve the situation.

(a) Discuss the implications of the proposed change in prices and explain how Tamu Ltd can handle the increase in costs and maintain its prices instead of increasing. **(10 marks**

(b) Discuss the factors that influence the development of a distribution channel in the confectionary industry. **(10 marks)**

QUESTION FIVE

(a) Describe the concept of the product life cycle giving the characteristics of each phase of the cycle. **(10 marks)**

(b) Explain the strategies used at each phase **(10 marks)**

QUESTION SIX

As the new Marketing Manager of Usafi Ltd a manufacturer of detergents that operates in a competitive environment, you realize that the management has not been preparing a marketing plan. You want to demonstrate to your boss that your MBA training can be useful to the firm.

(a) Write a memo to your boss explaining the importance of a formal marketing plan and the value addition it can offer Usafi Ltd. **(10 marks)**

(b) What are some of the major components of a marketing plan? **(10 marks)**

E…N….D