



Strathmore
UNIVERSITY

**STRATHMORE INSTITUTE
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DBM 1205 & DE 1301: PRINCIPLES OF MARKETING**

DATE: 18th December 2020

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION 1.

Sony aims to gradually replace PS4 with PS5 in the upcoming holiday season .They're facing high manufacturing costs of PlayStation 5, with scarce components and erratic supply of raw materials compounding its problems to set a balanced retail price. In addition, the impending launch of Xbox Series X by arch-rival Microsoft Corporation has forced the company to adopt a waiting game in its price-setting decision to avoid overpricing.

Sony had earlier disclosed the product features of the upcoming model with various market teasers, revealing its several hardware enhancements. These include a faster hard drive that will significantly reduce or eliminate load times, a 4K Blu-ray drive and a more adaptive controller. The company is also reportedly splurging on the cooling system to ensure that heat dissipation from powerful chips inside the console does not cause any issue for gamers.

Various insiders familiar with the proceedings have revealed that the dearth of a steady supply of DRAM and NAND flash memory, due to burgeoning demand from 5G smartphone manufacturers, has escalated the production costs of PS5 to around \$450 a unit. Experts opine that this is likely to force the company to set the retail price at \$470. Videogame companies often keep slender profit margins from hardware sales or even undercuts the production costs to rake in more money through additional sale of lucrative gaming software and online subscription services. Sony is likely to employ this tactic for PS5.

Meanwhile, Amazon.com, Inc. AMZN has forayed into the gaming domain with it's nearly \$1 billion acquisition of Twitch, a leading live streaming platform for gamers. Alphabet's GOOGL gaming platform Stadia has also outsmarted rivals by enabling users to stream games online on any device like smartphones, laptops, desktops and tablets or on televisions with the aid of Chrome cast media stick connection, without shelling out extra money for expensive gaming consoles and PCs. With rivals creating such significant inroads in the gaming domain, critics wonder whether Sony's PS5 gamble would be worth it.

- a. Satisfying customers' needs is at the heart of every marketing endeavour. Using the Sony case as an example, show how needs are affected by society and/or culture (3 marks)
- b. Using concepts from this class, Identify two pricing strategies in the case and explain if you agree or disagree with Sony's pricing strategy(6 marks)
- c. Explain Sony's marketing concept using specific examples from the article above(4 marks)
- d. Explain four issues that Amazon and Google should address before launching their online products to help customers accept them faster (8 marks)
- e. Explain the behaviour and pattern they should expect from customers in regards to accepting these new products (5 marks)
- f. Using the principles learnt in marketing class, explain how Sony, Microsoft, Amazon and Google decided to participate in the gaming industry (4 marks)

QUESTION 2.

Due to the pandemic Strathmore University has been trying to introduce new modes of learning such as e-learning and virtual reality learning. They have approached you to help them understand:

- a. If there are any critical issues they should address before launching the new products to help customers accept them faster (4 marks)
- b. The behaviour and pattern they should expect from customers in regards to accepting these new products (5 marks)
- c. A sample of **Bidco's products** found the following items, Beverages that includes Soft drinks(brand name Planet) Juices(brand name Jooz), cooking oils(e.g. golden fry, ufuta fry , bahari fry) and detergents In the example above **identify: The product lines, The Product with, a product depth** (6 marks)

QUESTION 3.

ChezaPesa Ltd a betting company became successful very rapidly in the Kenyan market. Customers, especially the youth, loved it but many of them were increasingly becoming addicted to betting and accumulative massive debts. Even though ChezaPesa Ltd utilised some of their profits in supporting local sports, the government eventually shut the company down in a tax dispute.

- a) ChezaPesa were of the opinion that as long as users were using their product voluntarily, everything was well. Using specific concepts from this class, explain why their opinion was misguided(4 marks)
- b) Citing specific reference from this class, explain two reasons why ChezaPesa eventually went out of business(4 marks)
- c) Why was the growth of ChezaPesa so rapid and successful in Kenya (3 marks)

- d) Explain what roles positioning and placement played in the success of ChezaPesa (4 marks)

QUESTION 4.

- a. Learning changes the behavior of an individual as he acquires information and experience. Describe 2 ways consumers experience learning(4 marks)
- b. List 5 sources that consumers use to gather information about products (5 marks)
- c. Describe 2 steps that consumers use to evaluate products (4 marks)
- d. How does relative advantage influence a buyers decision (2 marks)

QUESTION 5.

Doshi Metals new goal is to be the preferred product for every builder in the country. They want to make sure builders can buy their products from every Corner in the country even though their factory is located in Mombasa. Even though their cost of production is the same as their competitors, Doshi Metals is perceived as a superior brand in the market

- a. Advice Doshi Metals on how they should go about achieving their new goal of being available in every corner of the country (3 marks)
- b. Explain to Doshi Metals four advantages of your recommendation above (8 marks)
- c. Doshi Metals would like to maintain the superior brand perception in the market, how should they price their products and why? (4 marks)