

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION PAPER JULY 2007

TITLE OF PAPER : PRINCIPLES OF MARKETING
DEGREE AND YEAR : IDE DIP. COM. IV
TIME ALLOWED : TWO (2) HOURS
COURSE CODE : IDE-BA 321
INSTRUCTIONS : 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER
(5)
2. SECTION A IS COMPULSORY. ANSWER ANY
TWO QUESTIONS FROM SECTION B
3. THE MARKS TO BE AWARDED FOR EACH
QUESTION ARE AS INDICATED ALONGSIDE THE
QUESTION

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN
ENGLISH AND FOR ORDERLY AND NEAT PRESENTATION OF
WORK. FURTHER MARKS WILL BE AWARDED FOR THE USE OF
RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS
BEEN GRANTED BY THE INVIGILATOR.

SECTION A CASE STUDY: L'OREAL: ARE YOU WORTH IT?

L'Oreal sells cosmetics and toiletries to consumers around the world. One market that has certainly been booming lately is that for hair care products. Brands such as Elvive, Lancome, Helena Rubenstein and Kerastase, part of the L'Oreal stable, are capitalising on this trend. In one sense, L'Oreal's hair care products - shampoo, conditioners, styling agents - are no more than careful mixtures of chemicals with different smells and colours. But L'Oreal knows that when it sells shampoos and conditioners, it sells much more than a bottle of coloured or fragrant soapy fluids - it sells what the fluids can do for the women who use them.

Many hair care products are promoted using alluring chat-up lines: "Your hair is instantly shinier, stronger, healthier, and getting better and better and ..." Who would believe that shampoos and conditioners that are designed to rinse away can have any lasting benefits? But women do not see shampoos and conditioners that way. Many things beyond the ingredients add to the shampoo's allure. While hair is dead, it is organic, so will respond to some care and attention. Many consumers believe that their favourite shampoo does more than wash away the grit in their hair; it makes them feel good about themselves.

Thanks to recent scientific breakthroughs, many hair care products can make a difference. The L'Oreal laboratories in Paris, employing 2,500 employees, dedicate over \$180 million a year to R&D. This investment pays. For example, Kerastase, part of the L'Oreal group, developed Ceramide F - a synthetic copy of naturally occurring hair ceramides - which reconstructs the hair's internal structure. Sounds far fetched? But consumers say it works. Kerastase Forcintense revitalises hair that is severely damaged through colouring, overstyling or perming. Other L'Oreal product innovations include colour and conditioning agents - Majirel, Majirouge and Majiblond - for treating fading hair colours due to washing or sunlight and special formulations - Majimeches - for blondes. All these functional benefits enable L'Oreal to promote the brand's superior performance benefits to consumers.

The wash-in, wash-out nature of hair suggests that product performance alone may be sufficient to satisfy users. Hairstylist Sam McKnight says that it is an emotionally charged marketplace. There is also a limit to what all the scientific breakthroughs in hair care can do for how a woman feels when she has had a hair wash. McKnight argues that scents and colours must be chosen carefully to match women's desires, moods and lifestyles. His new range of products eschew science and concentrate on the smell. Called 'Sexy', they are expensive, exclusive and smell like no other shampoo has ever smelled before.

Additionally, hair care brands have done well because of the advertising spends that have gone in to promote shampooing as a pleasurable pastime rather than an activity akin to doing a load of washing. L'Oreal and rival firms know just how important this is. Brands such as Elvive, Pantene (by Procter & Gamble) and Organics (by Elida/Faberge/Unilever) have advertising spends that will make a girl's hair curl. L'Oreal's leading brand Elvive also tries to capture the essence of pleasure using advertisements that sound tempting: 'Because I'm worth it', says L'Oreal.

Companies also have to play on the shampoo's name, an important product attribute. Names such as Sexy, Dream Hair Sensational and Frizz-Ease suggest that the shampoos and conditioners will do something more than just wash your hair. L'Oreal must also package its hair care products carefully. To consumers, the bottle and package are the most tangible symbols of the product's image. Bottles must feel comfortable, be easy to handle and help to differentiate the product from other brands on the shelf.

So when a woman buys hair shampoos and conditioners, she buys much, much more than simply soapy fluids. The product's image, its promises, its feel, its name and package, even the company that makes it, all become part of the *total package*.

Hope in a bottle or just so much hype? The answer: it's up to each of us to decide whether we're worth it.

Source: Kotler, P., Armstrong, G., Saunders, J. & Wong, V. (2002), Principles of Marketing, Prentice Hall, London, p.459.

QUESTIONS:

- a) Distinguish between the core, tangible, and augmented product that L'Oreal sells (10 marks)
- b) A hair care product's name is a central product attribute. What are the key branding decisions that L'Oreal's marketing managers have to make? (15 marks)

SECTION B ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION TWO

- a) Discuss the stages in the product life cycle (10 marks)
- b) Describe, with examples, the different stages of New Product Development process (15 marks)

QUESTION THREE

Discuss the different criticisms levelled against marketing (25 marks)

QUESTION FOUR

Use examples to discuss the different factors influencing consumer behaviour (25 marks)

QUESTION FIVE

By use of diagrams, describe both the BCG and General Electric matrices (25 marks)