Marketing of Financial Services

The sample questions are related to the JAIBP stage 3 course "**Marketing of Financial Services**". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

Q1. Which of the following is an example of a psychographic characteristic of a sample group?

A. Youth aged between 15 and 18 years of age
B. Young parents who eat out 3 days a week (Answer)
C. Residents of southern region of the country
D. Women above the age of 40

Q2. Which of the following situations corresponds with brand recognition?

A. A customer insists on repurchasing the same brand every time.
B. A customer spends impulsively on a brand.
C. A customer chooses a particular brand over others.
D. A customer knows about a particular brand without a bias for or against it. (Answer)

Q3. The key objective of branding is:

A. Achieving highest sales in the market.
B. Getting the target market to choose their product over competition.
C. Getting the target market to see their product as the only one to fulfill their needs. (Answer)
D. Creating name awareness for their product.

Constructed Response Question

Each CRQ carry five marks.

Question:

A. Elaborate the significance of 'value chain' in the marketing process. **2 Marks**
B. Explain THREE key elements of a value chain. **3 Marks**

Answer:
Part-A

The value chain, is a concept from business management that was first described and popularized by Michael Porter in his 1985 best-seller, “Competitive Advantage: Creating and Sustaining Superior Performance.”
A value chain is basically a chain of activities for any organization encompassing various value addition stages in a product's/service's life -from concept development to actual product/service delivery in the hands of the final customer.
Products/Services pass through all activities of the chain in order and at each activity the product/service gains some value. The important thing to note is that the chain of activities gives the product or services more added value than the sum of the independent activity's value. It is important not to mix the concept of the value chain with the costs occurring throughout the activities. For example, a diamond cutting, as a profession, can be used to illustrate the difference of cost and the value chain. The cutting activity may have a low cost, but the activity adds much to the value of the end product, since a rough diamond is significantly less valuable than a cut diamond.

Following are at the heart of a value chain concept, without these cornerstones the success of a value chain could be compromised:
A. Coordination and collaboration
B. Investment in information technology
C. Changes in organizational processes
D. Committed leadership
E. Flexible jobs and adaptable, capable employees
F. A supportive organizational culture and attitudes

Part- B

Significance

The concept of a value chain is so powerful and beneficial in terms of identifying exactly the points or areas where value is being compromised, that today almost every industry is employing this concept to enhance their performance and attain competitive advantage. Also, the value-chain concept has been extended beyond individual firms. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter terms this larger interconnected system of value chains "the value system." A value system includes the value chains of a firm's supplier (and their suppliers all the way back), the firm itself, the firm distribution channels, and the firm's buyers (and presumably extended to the buyers of their products, and so on).

Capturing the value generated along the chain is the new approach taken by many management strategists. For example, a manufacturer might require its parts suppliers to be located nearby its assembly plant to minimize the cost of transportation. By exploiting the upstream and downstream information flowing along the value chain, the firm's may try to bypass the intermediaries creating new business models, or in other words create improvements in its value system.

Value chain approach could also offer a meaningful alternative to valuate private or public companies when there is a lack of publically known data from direct competition, where the subject company is compared with, for example, a known downstream industry to have a good feel of its value by building useful correlations with its downstream companies.

Extended Response Question

Each ERQ carry ten marks.

Question:

Discuss the positioning strategy you would recommend to each of the following:
A. Toyota Motors
B. A wedding planner
C. A new juice introduced by Engro Foods Ltd. **10 Marks**

Answer:

There are four types of positioning strategies that compete on this dimension:

A. Product (and Process) Leadership

Some companies target customers who want the latest technology and products with the most innovative features. Examples include 3M, Sony, Glaxo, Microsoft and Intel. These companies invest heavily in research and development, aim to hire the brightest talent and build organizational cultures focused on creativity and innovation. The financial advantages of successful product leadership are the opportunities to achieve rapid growth and obtain premium prices. As an example, let's go through the case study below.

B. One-to-One Marketing

This strategy involves communicating with customers on an individual basis to learn about their needs and develop tailored solutions which directly improve their experience. The characteristics of customer intimacy strategy are:

- **a.** The construction of data banks to hold information on the preferences and buying behavior of individual customers.
- **b.** The use of information technology to allow direct one-to-one communication between the firm and the customer.
- **c.** The organization of marketing around customer managers rather than brand managers.
- **d.** The tailoring of individual product and service solutions.

C. Brand Leadership

Consumer brands such as McDonald's, Coca-Cola and Gillette have emotional values beyond those that can be explained by their product or service performance. In business to business markets, major bank brands plus brands such as McKinsey and Hewlett Packard have similar values.
Brands give consumers confidence that they can trust these suppliers. They reduce the personal, social or economic risks attached to making decisions. For the supplier, the benefit of strong brands is that it is easier to gain market share. Preference also means that strong brands sell at higher prices.