

## Case study 10: Mark scheme

Chapter 26: Product

Chapter 27: Price

Chapter 28: Promotion and place (distribution)

Chapter 29: International marketing and e-commerce

### Allez Snowboards Ltd (WSL)

Allez Snowboards Ltd makes snowboards for the amateur enthusiast that are sold under the Allez brand name. Up to the present time they have sold through snowsport wholesalers into the French retail market. Their reputation for high quality at a low price means that their sales have been rising steadily over the six years since they were established. Recent excellent reviews in a prominent snowboard magazine have prompted them to reconsider their marketing strategy with a view to expanding sales in the home market and perhaps extending sales into the international market. Alternatively, they could extend their product range into specialist areas such as snowboard cross, freestyle or pipe, and so increase their market share. It has been suggested that market research should be done to help Allez find out particular product features that could be improved prior to this expansion effort.

The snowboard market is an extremely competitive one. The market leader is well established, has a significantly dominant market share and has the advantage of considerable economies of sale. On the other hand, Allez outsource their boards to a manufacturer in Taiwan and so they have limited French overheads and are also able to benefit from a strong euro. They hence use a competitive pricing strategy to undercut the prices of most of the major competitors.

### SL questions: 20 marks, 35 minutes

- 1 Describe what is meant by market share. (2)
- Market share =  $\frac{\text{value of products sold by a particular business}}{\text{value of the whole market for the product}} \times 100\%$
- 2 Explain **two** methods of primary research that Allez could use to help them to identify the perceived strengths and weaknesses of their product. (4)
- survey cards returned with a guarantee card
  - board trials days in major resorts with feedback forms
  - telephone surveys of sales staff in major retailers
  - online survey on snowboard sites
  - email surveys via snowboard clubs
  - any other viable suggestion

Award 1 mark for each of the two methods stated and 1 mark for explaining each method.

- 3 Explain how market segmentation could help Allez to achieve a greater market share of the snowboard market. (6)

Define market segmentation as based on features appropriate for the snowboard market, e.g. age, snowboard discipline, income, frequency of snowboarding activity, professional/amateur.

SL: apply **Resources table 1** mark band descriptors.

- 4 Discuss how branding may be important for the marketing of Allez snowboards. (8)

Define branding: use of a name, logo or design, or a combination of these, to distinguish a company's products from competitive products. Allez are using corporate branding, i.e. use of the company name to help distinguish the products. This means that the name can easily be extended to encompass specialist versions of the base product or even later expansion of the product range.

Ideas that may be discussed include:

- brand recognition may help extend market share
- increased brand reputation may enable Allez to charge premium prices
- price may become more inelastic (sales become less sensitive to price changes)
- may inspire brand loyalty when boards are replaced
- may be linked to other aspects, e.g. unique design.

SL: apply **Resources table 1** mark band descriptors.

### HL questions: 25 marks, 45 minutes

- 1 Define the following terms:

- a market research (2)

This is the process of doing primary or secondary research to find out market data or opinions. Primary research is up to date and focused on exactly what businesses need to know, but can be slow to carry out and therefore expensive. It includes surveys, discussion groups, tele-research and e-based research. Secondary research is based on existing data from diverse sources, e.g. government reports, magazines, newspapers, trade journals. It is faster and cheaper to do but the information may be older and the focus may not be exactly what is needed.

- b market leader. (2)

A market leader is a business that has the greatest market share for a particular product. This is defined as the value of that business's sales for the product, expressed as a percentage of the total market value for that same product.

Apply **Resources table 3a** mark band descriptors.

2 Explain **two** problems that Allez could face if they continue to use competition pricing. (6)

- erosion of profit margin if competition forces prices down
- erosion of profit margin if foreign exchange rates inflate the cost of imported boards
- market recognition of Allez boards as cheap and therefore of low quality – even if quality is comparable to or better than competitors
- any other relevant point

HL: apply **Resources table 2** mark band descriptors.

3 Examine the possible primary and secondary research that companies like Allez could use to ensure that products are developed to fit market demands. (6)

Primary:

- survey cards returned with a guarantee card
- board trials days in major resorts with feedback forms
- telephone surveys of sales staff in major retailers
- online survey on snowboard sites
- email surveys via snowboard clubs
- snowboarding blogs
- any other viable suggestion

Secondary:

- snowboard magazines or newspaper articles
- competitor surveys (if available)
- industry reports
- snowboarding website reports

All options considered should be linked back to the necessity for Allez to find out market demands specific to their snowboard product range. Each option needs to be examined in light of its ability to provide this information.

HL: apply **Resources table 2** mark band descriptors.

4 Evaluate **two** possible ways that Allez could extend their market internationally. (9)

This could include:

- exporting
- setting up a new local subsidiary or office in each market location
- joint ventures
- e-commerce with international shipping
- using local agents in each country.

Both positive and negative aspects of each point need to be considered.



HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.