

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

PRINCIPLES OF MARKETING

Examination

2015 – 2016

2nd SEMESTER EXAM

BAM 2 & BSC A & F 2

Date: Thursday 28th April 2016

Time: 2:00 – 5:00pm

Instructions

- 1. Do not write anything on the question paper**
- 2. Use of relevant examples will earn you a credit.**
- 3. Attempt any three (3) questions in section B**
- 4. All questions in section A are compulsory and relate to the case study**
- 5. The paper is in two sections: A and B**

SECTION A: COMPULSORY

MACHO BEVERAGE: TRANSFORMING A HUMDRUM PRODUCT INTO A HAPPENING BRAND

Macho beverage, widely acknowledged as the first and Southern Africa “energy drink” category, maintained a close association with sports from the time it was launched in 1987. Macho Beverages LTD was known for its sponsorship of extreme, alternative sports like wrestling, boxing, rugby and bungee jumping-sports that involved elements of adventure and risk. Macho Beverage association with motor racing, one of the world’s most glamorous and expensive sports, also helped enhance its image as a trendy drink. Analysts said that the company’s sponsorship of extreme sports that required stamina and energy was also just right for the image of the beverage.

Jonathan Akol, the founder of Macho Beverages LTD, was born in 1944 in Kumi, Uganda. He graduated with a marketing degree from UMU and took up marketing jobs at Crown Bottlers and Unilever. Akol’s job involved a lot of travel around the world, and during one of his trips to Thailand, he discovered an “energy drink” called Choow, which was very popular among blue collar workers in the country. When he sampled it, Akol reportedly discovered that the drink was good at combating jetlag. The idea for marketing an energy drink in the East and Southern Africa markets came when he realised that energy drinks had a huge market in Asia and that there was no such product available in Africa.

Akol approached Thaimen, the owner of TM Pharmaceuticals, which made Choow, with a proposal to market the beverages in Africa. Thaimen agreed to give Akol the foreign licensing rights to the drink in return for a partnership in the venture. In 1984, Akol resigned from his job to pursue his new business. Akol and Thaimen each invested \$500,000 to become equal partners, with a 49 percent stake each, in the new company. The remaining two percent was held in trust for thaimen’s son. The founders agreed that Akol would run the company, while the Thais remained sleeping partners

The emphasis Macho Beverages placed on marketing was evident from the fact that the company spent around 30 percent of its annual turnover in 2006 on marketing- much

higher than most other beverage manufacturers who spent approximately 10 percent. The annual turnover of MBL for 2006 was \$4.2 million. Macho Beverage was positioned as an energy drink that "invigorated mind and body" and "improved endurance levels". The company's slogan "Macho Beverage, the stamina drink" reinforced this positioning. The beverage was targeted at people who sought increased endurance, speed, concentration and alertness.

Macho Beverage had been a controversial product right from the start. When Akol first planned to launch the beverage in East and Southern Africa, he had to wait for three years to get approval in Uganda, his home country. After that, it took another five years before it could be sold internationally, and Kenya became MBL's first foreign market in 1992. MBL's first foreign market in 1992. MBL's launches in new markets were almost always preceded by controversy, usually centering on the nature of the ingredients in the drink. While exotic ingredients were acceptable in many Asian markets where food regulations were not stringent, in Africa, the beverage faced difficulties in getting approval from the authorities. As of 2006, Macho Beverage was banned in Botswana and Malawi. In Tanzania, it was classified as a medicine that could only be sold in pharmacies. The most controversial ingredient in Macho Beverage was taurine, an acidic chemical substance, was an untested food product in many western countries and was thought by some to be harmful. The controversies were further fuelled by rumours that taurine was actually derived from the bile of cattle.

Macho Beverage was a market leader in its category in Africa in the early 2000's, garnering strong sales in its various country markets. Nevertheless, analysts were sceptical about the company's continued survival and growth as there were several factors threatening the brands long term prospects. Macho Beverage's success had spawned a wave of imitators, all wanting to cash in on the booming energy drinks market. Some of the knock-offs even had names that evoked the Macho Beverages brand-Red Tiger and Africa Bull being notable examples during the early 2000's. it was estimated that as of 2005, there were 125 players in the energy drinks in the global market.

Major beverage companies like coke and Pepsi had also come out with new energy drinks. Coke and Pepsi launched KMX and AMP respectively in the early 2000's. Analysts said that competition from big companies might affect MBL, as these companies, with their greater spending power, hand the potential to give the brand a run for its money.

Required;

Question One

(a) Using the knowledge you have learnt in marketing, identify and explain in detail the marketing programs you should employ to improve the market growth of Macho Beverages LTD. (30 marks)

(b) Identify and explain the marketing challenges Macho Beverage brand is currently facing in the market. (10 marks)

SECTION B

Question Two

(a) Distinguish between marketing research and market research (5 marks)

(b) With relevant examples, state and explain the importance of marketing research to an organisation. (15 marks)

Question Three

(a) What is market –skimming pricing strategy? (5 marks)

(b) With a relevant example, identify and explain the internal factors influencing the pricing decisions of an organisation. (15 marks)

Question Four

(a) State and explain the core marketing concepts. (5 marks)

(b) Identify and explain the psychological factors that influence the buying behaviour of an individual? (15marks)

Question Five

(a) With relevant examples, state and explain the importance of marketing environment to an organisation. **(8 marks)**

b) Explain the macro economical environmental factors a marketing organisation should understand in order to make better decisions for the success of an organisation. **(12 marks)**

Question Six

With relevant examples state and explain the various factors that contribute to failure of small and medium scale business in most developing countries. **(20 marks)**