

## TEST

### Question 1

- a) A **revenue model** is a framework for generating financial income for a company. It identifies which revenue source to pursue, what value to offer, how to price the value, and who pays for the value. It is a key component of a company's business model.

- (i) Differentiate, with detail description, between the revenue models of UBER and Netflix. (6 marks)

**Marking guide:**

UBER's revenue model is commission revenue model. (1)

- In this model, UBER will collect a one-time commission from the driver who provides ride to passenger using the UBER hailing app. (2)

Netflix's revenue model is subscription revenue model. (1)

- In this model, Netflix will charge a monthly subscription from a user who subscribe to using Netflix's software to watch movies or dramas. (2)

- (ii) Differentiate, with detail description, between the revenue models of Microsoft and YouTube. (6 marks)

**Marking guide:**

Microsoft's revenue model is mostly licensing revenue model. (1)

- In this model, Microsoft will transfer the right to user to use its software by charging the user a one-time license fees from the user. (2)

YouTube's revenue model is advertising or subscription revenue model. (1)

- In this model, YouTube allows those businesses who would like to advertise with YouTube by putting the advertisements on YouTube videos. (2)

- b) **Customer relationship management (CRM)** is a marketing strategy whereby firms concentrate on existing customers. Customer relationship management gained prominence in developing marketing strategies, in part, because existing customers are 5 times more valuable to a business than new customers, according to market research. They are also more likely to be loyal and to spread positive information about your firm to their social network. Over the years, banking businesses have emphasized on using Customer Relationship Management. Explain, in detail, **FOUR (4)** CRM examples in Malaysia banking industry that have implemented to improve customer relationship. (8 marks)

**Marking guide:** (2 marks each)

1. Not only private/priority banking but special counter/floor/parking lot/bank personal assistant and/or manager in handling individual account
2. Priority banking customer could enjoy birthday package for a minimum cost
3. Not only listen to complaints but understanding and provide feedback / follow-up on complaints. Recorded phone is a past, quality assurance and personal assistance on complaint is available
4. Reduce/shorten the process/procedure/steps of loan/mortgage/credit card application and approval

## Question 2

- (a) Consider the following case study

### **Blackberry's Failed Business Plan**

Blackberry (the company previously known as Research in Motion) is an example of a former market leader that has declined dramatically due to its inability to 'cross the chasm' with its recent product launches. As an early innovator in the smartphone space, they were successful for years by concentrating on the corporate market and producing handsets featuring their characteristic physical keyboard which were focused on primarily on email access.

However, Apple introduced the iPhone in 2007 which did away with the concept of a physical keyboard and introduced a 'slab' handset that used the entire face as a touchscreen display. The iPhone's user interface leveraged touchscreen gestures and was ideal for consuming media. The iPhone was a hit with consumers and in its opening weekend of sales, the stores of then-exclusive carrier AT&T were "virtually sold out." Seemingly overnight, the iPhone and similar Android handsets displaced those of Blackberry in the marketplace.

Six years after the introduction of the iPhone, Blackberry came to market with its first modern touchscreen-only handset called the Z10. The Z10 featured a brand-new, yet immature Blackberry 10 OS that did not have the selection of apps or mature ecosystems of either Apple's iOS or Google's Android. The Blackberry 10 OS was also not as user friendly or had as polished of a user experience of either iOS or Android.

Despite these initial shortcomings, Blackberry chose to position the Z10 as a premium product and priced it the same as competing Apple and flagship Android handsets. The Z10 was a marketplace failure and sold a small fraction of the number of handsets that competing Apple and Android did. Innovators and some Early Adopters who had previously embraced the Blackberry ecosystem did purchase the Z10. However, the Z10 was unable to 'cross the chasm' and gain traction with Early Majority users. With the already broad adoption of the iPhone and Android platforms, the Early Majority category of adopters remained skeptical of the Z10 and its new OS.

In its first full quarter of release, Blackberry only sold 2.5 million Blackberry 10 handsets, which included both the Z10 and the sister model Q10 which featured a physical keyboard like previous Blackberry phones. Shortly thereafter, Blackberry cut the price of the Z10 and later that year CEO Thorsten Heins was replaced by John Chen, who had formerly led the turnaround of Sybase.

Had Blackberry been able to 'cross the chasm' with the Z10, their handset business may have been able to regain some of its former success. However, by 2014 Blackberry devices had a mere 0.3% market share in smartphone handsets. New CEO Chen ultimately decided to refocus the company by de-emphasizing handset sales and to instead focus on corporate software and mobile services. In a few years we'll know if Chen was successful in transforming the company, but it seems certain that Blackberry handsets will be largely a relic of the earlier days of the Internet.

**Source:** <https://www.justinpowellweb.com/2016/08/in-his-1962-book-diffusionof.html>

- (i) Explain, with justification, **THREE (3)** factors that led to Blackberry's failure to cross the chasm. (9 marks)

**Marking guide:** (3 marks each)

1. Apple introduced the iPhone in 2007 which did away with the concept of a physical keyboard and introduced a 'slab' handset that used the entire face as a touchscreen display. Seemingly overnight, the iPhone and similar Android handsets displaced those of Blackberry in the marketplace.
2. The Z10 featured a brand-new, yet immature Blackberry 10 OS that did not have the selection of apps or mature ecosystems of either Apple's iOS or Google's Android. The Blackberry 10 OS was also not as user friendly or had as polished of a user experience of either iOS or Android.
3. Blackberry chose to position the Z10 as a premium product and priced it the same as competing Apple and flagship Android handsets. The Z10 was a marketplace failure and sold a small fraction of the number of handsets that competing Apple and Android did.

- (ii) Highlight, with justification, the failure which is due to

- I. Management (3 marks)
- II. Innovation (3 marks)
- III. Marketing (3 marks)

**Marking guide:** (3 marks each)

- I. Management – The management reacted too slowly to Apple's introduction of the iPhone in 2007 which did away with the concept of a physical keyboard and introduced a 'slab' handset that used the entire face as a touchscreen display". Only after six years that Blackberry started to introduce Z10 in the marketplace.
- II. Innovation – The Z10 featured a brand-new, yet immature Blackberry 10 OS that did not have the selection of apps or mature ecosystems of either Apple's iOS or Google's Android. The Blackberry 10 OS was also not as user friendly or had as polished of a user experience of either iOS or Android.
- III. Marketing – The Z10 features were not very good but Blackberry chose to position the Z10 as a premium product and priced it the same as competing Apple and flagship Android handsets.

- (b) APPEL Phone Sdn Bhd is a new company who is trying to venture into a smartphone industry. As a new smartphone company, you are to suggest a pricing strategy for APPEL Phone Company. Justify your suggestion. (2 marks)

**Marking guide:**

- Penetration pricing (0.5)

- In order to compete with those established companies in the smartphone industry, APPEL should set their phone price lower (i.e. penetration pricing) than their competitors to attract customers. (1.5)

*Any other appropriate answer will be accepted.*

**[TOTAL: 40 marks]**

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