THE OPEN UNIVERSITY OF SRI LANKA
COMMONWEALTH EXECUTIVE MASTER OF BUSINESS ADMINISTRATION
MARKETING MANAGEMENT – MCP 1608
DURATION-03 HOURS

DATE : **09th December 2012** **TIME:** **9.30 a.m to 12.30 p.m**

Instructions

1. **Answer question number one and three others**
2. **Answers should be written legibly and to the point**

Read the case below and answer Question Number one (01)

Neuromarketing as a new concept in Marketing

The importance of understanding the needs and wants of the customers in order to satisfy them is learnt in marketing. To understand the needs and wants, there is a requirement to contact customers, visit them or ask some questions (or else can distribute questionnaires among existing as well as potential customers). Still we could not be 100% sure that such data provides a true picture as some responses are biased.

Many people in research have argued on this and many programmes have been prepared to reduce such weaknesses. Once I wanted to do a survey on buyer perception of local products mostly preferred by Sri Lankans. In interviews too, they reiterated that they do want to buy Sri Lankan products. Some went further and said that even if it was more than market price they would still buy the products.

That was the conclusion of the survey and it was done on high involvement products like consumer durables. But what is the reality? Sri Lankan customers are not willing to buy some local washing machines even though the price is 30-40% less than the normal price. So marketing research sometimes brings you to paradox situations!

Neuromarketing

But now there is no need to interview customers and visit them. You have neuromarketing! No need for researchers to ask us what we think or try to decipher our intentions from our actions. They'll be able to monitor what we think directly – at the cellular level.

That's good news for companies. Not only will they be able to spend their marketing budgets more efficiently, but also wield more influence over the purchases we make.

What is neuromarketing? Neuromarketing is an applied extension of neuroscience. The application of brain-scan technology to marketing, especially the use of fMRI, gave rise to the term.

Functional Magnetic Resonance Imaging or functional MRI (fMRI) is a type of specialised MRI scan used to measure the hemodynamic response (change in blood flow) related to neural activity in the brain or spinal cord of humans or other animals.

This can be considered as recently developed forms of neuroimaging. Since the early 1990s, fMRI has come to dictate the brain mapping field due to its relatively low invasiveness, absence of radiation exposure, and relatively wide availability. It might soon be time to redefine MRI machines as "market research imaging" devices.

At Harvard's McLean Hospital, six male whiskey drinkers, ages 25 to 34, lined up to have their brains scanned for Arnold Worldwide. The Boston-based ad shop was using fMRI to measure the emotional power of various images, including college kids drinking cocktails on spring break, 20-somethings with flasks around a campfire and older guys at a swanky bar.

According to Baysie Wightman, Head of Arnold's new, science-focused Human Nature Dept, "the scan help give us empirical evidence of the emotion of decision-making". The results will help shape the 2007 ad campaign for client Brown-Forman (BF.B), which owns Jack Daniels.

'Known centres'

As a result, neuromarketing studies have increasingly pointed to various 'known centres' in the brain. Yet knowledge about these so called 'known centres' is often sketchy and the claims about their function are often reasoned speculation rather than known fact.

As an example, a study by Knutson et al published in late 2007 pointed to the insula as an area that registers price pain. People given $ 20 to spend were shown products in a scanner that they could choose to buy.

One part of the brain was activated when they saw brands they liked but then the higher the brand's price, the more it triggered activity in another part of their brain, the insula. The study concluded that this is a centre that registers price-pain.

Within weeks however, a broader neuroscience study discovered that addicted smokers who suffered damage to this area (from car accidents, etc.) were suddenly able to give up their long standing addiction to smoking.

It emerged that this part of the brain, the insula, relates somehow to our ability to exercise control over addictive behaviours. This is very interesting for Sri Lankans as the

authorities make a concerted effort to control smoking by using some strategies related to these findings.

Cars

DaimlerChrysler, Ford of Europe and other automakers are using medical research tools to probe the consumer brain to better sell cars. In Germany, the DaimlerChrysler Research Centre has done research with Ulm University Clinic and investigated the way which consumers evaluate car exteriors.

In the Ulm study, 12 men who were highly interested in cars were placed in an MRI scanner, a medical device doctors normally use to look for tumours. Researchers showed the volunteers a total of 66 pictures of sports cars, sedans and small cars and asked them to rate the cars on attractiveness.

The men said sports cars were significantly more attractive than sedans or small cars, which was no surprise. But what interested researchers was that the part of the brain associated with rewards was more active when the participants viewed a sports car than when they saw images of sedans and small cars.

The two major parts of the brain showing increased activity when screening a sports car are the right ventral striatum and the right fusiform gyrus. The first is the reward centre of the brain, which is also activated by natural stimulants such as sex, chocolate and cocaine. The second area is associated with recognising faces and having expert knowledge about something, such as cars.

(Source: Adapted from Financial Times,2011,September)

Question Number One

(a) Explain new trends in Marketing (other than Nuromarketing) which could be seen in the Sri Lankan market, using examples. (10 Marks)

(b) The ultimate objective of Nuromarketing and other strategies are to creative value for customers. Using examples explain the concept of customer value proposition(CVP). (10 Marks)

(c) Jeff Chester, the Executive Director of the Centre for Digital Democracy, claims that "having an effect on individuals that individuals are not informed about" (neuromarketing), is not ethical. Do you agree with his argument? Justify your answer. (20 Marks)

Total -40 Marks

Question Number Two

As a Marketing analyst in a Book Publication company you have been asked to identify distinct groups of customers in your market.

(a) Explain the range of different variables that may be employed to segment the market. (08 Marks)

(b) Using these variables, profile three possible target market segments and propose how you would evaluate their attractiveness. (12 Marks)

Total -20 Marks

Question Number Three

(a). What is Marketing Research? Briefly explain. (05 marks)

(b). Explain the process of Marketing Research that could be used to introduce a branded beauty soap to the Sri Lankan market. (15 marks)

Total -20 Marks

Question Number Four

"Customer relationship Management is nothing other than defining the concept of marketing from the customer perspective". Discuss this statement with an example of a Licensed Commercial Bank(LCB) in Sri Lanka Total -20 Marks

Question Number Five

Explain the following concepts

a. 7Ps in marketing (extended marketing mix)
b. 3.0 Marketing
c. Customer perception
d. Consumer Decision Making Process
e. Needs, Wants and Demand

Total -20 Marks

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