



The Chartered
Institute of Marketing

Professional Diploma in Marketing

44 – Marketing Management in Practice

Time: 09.30 - 12.30

Date: 8th December 2006

3 Hours Duration

This examination is in **TWO** sections.

PART A – Is compulsory and worth **50%** of total marks

PART B – Has **FOUR** questions; select **TWO**. Each answer will be worth **25%** of the total marks

DO NOT repeat the question in your answer, but show clearly the number of the questions attempted on the appropriate pages of the answer book.

Rough work and notes must be written into the answer book or on supplementary sheets and must be clearly identified.



Professional Diploma in Marketing

Marketing Management in Practice

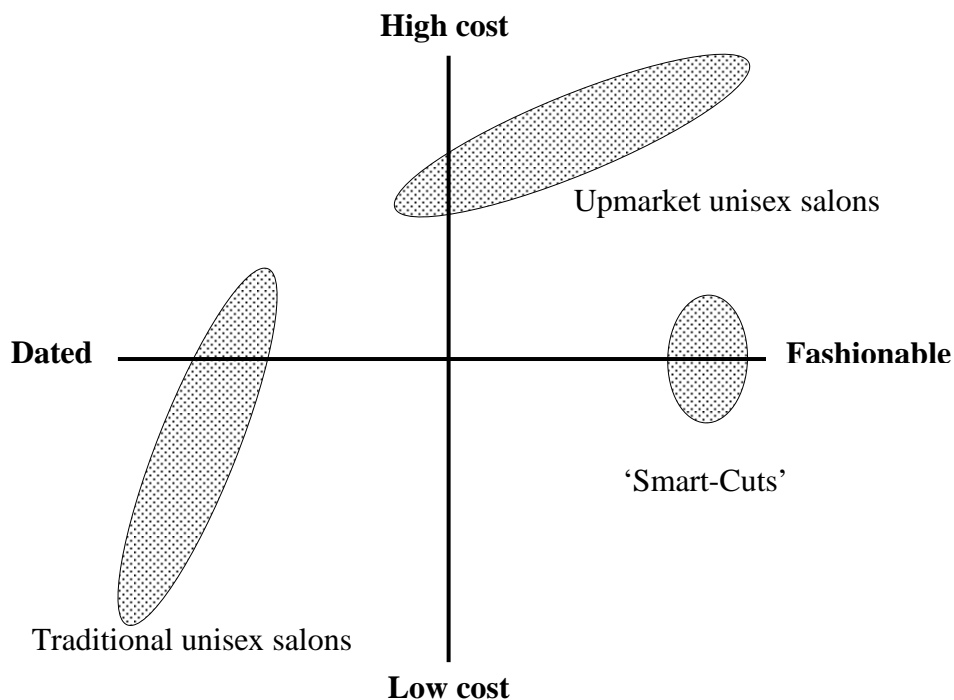
PART A – Compulsory

Smart-Cuts

Smart-Cuts was set up three years ago by a group of newly qualified hairdressing students who thought that they could see a gap in the market. Fashionable unisex salons (that is, ones catering for both men and women) provided a high quality service and a flair for fashion. However, they were very expensive. Lower cost, traditional, unisex salons were also available but of variable quality and dated, often years behind the latest fashion.

In New Town there are some 40,000 students studying at three educational institutions (the Technical College, the Art College and the University). The student population is vibrant, multi-cultural and at the forefront of fashion. However, when it comes to hair design they are not able to pay the high cost associated with an upmarket salon visit (See Figure 1).

Figure 1 – Market position of ‘Smart Cuts’



The formula adopted by Smart Cuts is deceptively simple. Use low-rent premises, well away from the high street, yet just minutes away from the Technical College campus. No expensive fittings are used in the salons. Fitted out with considerable attention to function, but at the same time ensuring that the salon looks smart and stylish, the atmosphere of Smart-Cuts is more like a student night-club than an expensive salon. The mood is enhanced with club music and the staff dress to party. Offering a unisex service and an ability to offer hairstyles that are popular with different local communities and cultural groups, the salon has become popular and a financial success.

Family and friends provided the original start-up finance for the salon. After a successful first year, two additional salons were opened to cover the remaining two campuses in New Town. They were financed by a bank loan. Now into their third year, Smart-Cuts is to make its next big step in opening another salon in Old Town, a large city 50 miles away, with a substantial student population.

Although the business has been successful, marketing has been characterised more by instinct than an integrated and expert approach. With the threat that new competition could copy the format, Smart-Cuts has decided that more professional marketing is needed. The owners have approached you to act as a Marketing Consultant and advise on aspects of the preparation of a business development plan to cover:

- the existing New Town salons
- the new Old Town salon and
- future expansion (see appendix 1).

Note

New Town and Old Town can be located in any country of your choice.

This case study has been compiled from industry sources. Smart-Cuts is a fictitious company for assessment purposes only and does not reflect management practices of any particular organisation.

Appendix 1**Time Line for Smart-Cuts**

May 2003	Five partners decide to set up salon Smart-Cuts.
September 2003	First salon opens at the start of the academic year.
February 2005	Review after first full year of trading shows great marketing success and a very profitable venture, as a result of strict cost control.
March 2005	Decision to expand to all three New Town campuses with two more Smart-Cuts salons.
September 2005	Second salon opens in New Town at start of first semester.
February 2006	Third salon opens in New Town at start of second semester.
July 2006	All three salons trading well. Another successful academic year's trading. Decision made to move into a new geographic region, the University campus in Old Town.
October 2006	Work on fitting out the Old Town salon starts with opening planned for February 2007, start of the second semester.
October 2006	You are approached to act as consultant.
November 2006	Smart-Cuts approached by venture capitalists to fund rapid growth of Smart-Cuts over 3 – 5 years to a minimum of 50 salons.
November 2006	Smart-Cuts salon staff interviewed and photographs taken by a leading international fashion magazine for March 2007 edition. Smart-Cuts is to be featured as the smart place for cutting edge style, irrespective of your budget. The article will feature both male and female hairstyles and will be entitled, 'Where young hair care is happening'.
December 2006	Your marketing analysis and recommendations are required by Smart-Cuts.
February 2007	Old Town salon opening and launch.
March 2007	Feature article to appear.

Appendix 2

Smart-Cuts fact file

- Original target was students, from a wide range of cultures, linked by a common interest in fashion and hair.
- The business formula is based on a wide range of modern styles, catering for a diversity of cultures, and on high professional standards. Affordable styles are provided for students who require the latest hairstyles.
- Controlling costs and working from low-rent premises means that prices are affordable for students and represent value for money.
- Extended opening hours and locations close to the student campuses provide convenience for the target student sector. The campus proximity has proved to more than compensate for the lack of locations closer to the town centre (where rents are much higher).
- Marketing communications for the New Town salons capitalised on the extensive network of contacts linked to the founders in the New Town student scene. Posters and leaflets in the student recreational areas reinforced word of mouth. The website is very basic and just has a few images of the salons and little else. A more professional approach is going to be needed in Old Town and future locations.
- The overall vision is one of styles for the young by the young. The existing business partners and employees are former students of New Town Technical College. A sense of style and a passion for hair reflect the image of Smart-Cuts.
- The salons have functional flair. They have no expensive 'designer' fittings and have created a style all of their own. This is all part of the business model – lots of style but rigorous cost control at all times.
- The informal style is reflected in a 'no booking' policy. Customers are encouraged just to walk in. Missed appointments would cause empty chairs and lost revenue. Customers do not mind the wait; complimentary drinks in a mini cyber café setting keep people happily occupied during a few minutes' wait. All of this is part of the business model to maintain high volume and full occupancy, and to control costs.
- The salons have started selling hair-care products, particularly specialist products requested by the multicultural, international community (local supermarkets provide only a conventional range of hair-care products).
- The expansion into Old Town is the first step in a geographic expansion for Smart-Cuts. Finding 50 further sites over the next few years will create a significant challenge.
- Because of its reputation, an increasing trend is for non-students to 'discover' Smart-Cuts as a centre of high fashion style. These customers are particularly welcome, as they tend to spend more and still visit the salon in vacation time when student business is low.

Appendix 3

Venture Capital

At a recent University 'Open Day', a prospective parent, who was a partner in a venture capital bank, was impressed by the formula. Discussions have started with the bank's team to build an aggressive expansion plan to capitalise on the Smart-Cuts brand and the distinctive business model. This source of money will potentially provide the investment capital to fuel rapid expansion.

PART A – Compulsory

Question One

- a. Outline a **marketing communications plan** for the opening of the Old Town salon. The communications plan should cover the period **THREE** months before the opening and **SIX** months after the opening.

(30 Marks)

- b. Smart-Cuts is moving from a small local organisation to a national chain of hair salons. Identify the change management issues confronting Smart-Cuts and propose ways to manage the issues.

(20 Marks)

(Total 50 Marks)

PART B – Answer TWO Questions Only

Question Two

- a. Explain what information is needed to identify and select suitable new market locations for Smart-Cuts salons.

(13 Marks)

- b. Recommend appropriate ways in which this information could be obtained by Smart-Cuts' management.

(12 Marks)

(Total 25 Marks)

Question Three

- a. Review the branding issues that are facing Smart-Cuts.

(10 Marks)

- b. Suggest communications activities that could be used to build the value of the Smart-Cuts brand.

(15 Marks)

(Total 25 Marks)

Question Four

Some writers have said that successful organisations should 'recruit for attitude' and 'train for skill'. Illustrate how management and marketing theory can help organisations such as Smart-Cuts to:

- a. recruit suitable new staff

(10 Marks)

- b. induct and train their new staff.

(15 Marks)

(Total 25 Marks)

Question Five

- a. Identify and review a range of project management approaches that could assist Smart-Cuts to manage the opening of the Old Town salon.

(10 Marks)

- b. Recommend a range of actions that could be taken by Smart-Cuts to project manage the marketing of the new Old Town Salon around the time of its opening.

(15 Marks)

(Total 25 Marks)



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