



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI
CSUC SCHOOL OF BUSINESS
DEPARTMENT OF MARKETING, LOGISTICS AND CORPORATE
STRATEGY**

BACHELOR OF BUSINESS ADMINISTRATION (MARKETING OPTION)

**END OF SECOND SEMESTER EXAMINATIONS –2018/19 ACADEMIC YEAR
LEVEL 300**

CSBM 386: CONSUMER BEHAVIOUR

MAY, 2019

100 Marks

Time Allowed: 2 hours 30 minutes

GENERAL INSTRUCTION TO CANDIDATES:

- Answer **all** questions in Section A and B
- Answer any **Two** questions from section C
- Please note that students will be penalized for not abiding by instructions on the front cover of the answer booklet especially refusal to list answers in order in which they were answered, refusal to write correct index number, refusal to write the course code etc.
- Please take time to read each question carefully as some questions may demand practical examples, diagrams etc
- Please also note that clarity of expression and handwriting will be rewarded
- Provide your index/ Examination numbers in the spaces above

Examiner: J. J. Kraa

SECTION A (40 MARKS)

THERE ARE TWO CASE STUDIES IN SECTION A. ATTEMPT ALL

Read the cases below and answer the questions that follow

Case One (1):

CHANGING CONSUMER PERCEPTION-SKODA

Skoda had a monopoly in car manufacturing in Czechoslovakia until the 1989 “Velvet Revolution”. During this time, it had developed a fearful reputation as possible the worst built, worst designed car in the world. Jokes about its notoriety were ruthless, unrelenting and widespread. The only place it sold in any number was in the country of manufacturer. After the fall of communism, the Czech government started looking for a commercial partner in the West to revitalize its Skoda factories. Most respected commentators felt strongly that there would never be a business prepared to take on the acquisition because of the huge task of transforming the name from risible rejection to amiable acceptance

In 1991, however, Volkswagen took a 30% stake in Skoda and started work in training and educating the workforce to Western quality standards in the hope of completely turning the business around, making the name Skoda synonymous with quality and reliability. It invested over \$2 billion in plant, research, development and new models. It also undertook an advertising campaign, of momentous proportions, that excited the admiration of all in the promotion business.

10 years later, in 2001, VW took total control of the business and such was its success. Skoda had become one of the fastest-growing car brands in the UK motor industry, increasing sales in the first 2 years by over 60%. Although sales in 2004 have fallen, slightly, in line with other car manufacturers, the story is one of the remarkable successes, not least in being able to understand and alter and turn around such deeply ingrained consumer ridicule and opposition.

Questions

- a. Briefly explain the part that an understanding of consumer behaviour played in the success of Skoda (6 marks)
- b. What were the major problems that VW had to solve to overcome consumer antipathy to Skoda? (5 marks)
- c. Which of the market values do Skoda and VW give to customers, specific to each of the three customer roles? (9 marks)

Case Two (2):**ISLAMIC BANK: RESPECTING THE PROPHET'S WORD**

Bank Islam, a bank in Malaysia, operates by the principles of Islam. Its customers deposit money with the bank, but do not receive any interest on it. The reason is that; Islam prohibits any interest as usury. So instead of being paid interest on their money, customers receive a share of the bank's profit. The bank was founded in Egypt about three decades ago simply to give religious Muslims a way to keep their money safe. Today, Islamic banks are common in the Middle East and they are spreading in the Philippines, Europe and the United States (US). In these countries, many countries, many customers like the availability of a bank that follows Islamic principles. Islamic bank pools deposit and in turn invest them in construction, commodities and other businesses that do not pay any interest on these investments. Instead, these commercial borrowers pay the bank share of their own profit. In turn, the bank shares the profit with their individual depositors. The combined assets of all the Islamic now total about \$70 billion. The leader of the pack in Malaysia is Bank Islam, with a total deposit of 3 billion ringgits, or \$1.2 billion

Islamic banks have devised new ways of lending and investing money. A customer who wants a car loan for example, agrees to make a series of payments totaling more than the sticker price of a car, which remains the bank property until all the payments have been made. In business market, importers and exporters employ a technique they call **Murabaha**. A bank buys goods and sells them to a customer who then pays the bank at a future date a total sum more than what the customer would have had to pay if the goods were bought with cash. This technique was approved by New York Fed. In Malaysia where the banks are expanding financial services most aggressively, Arab-Malaysian Bank has issued the first Islamic credit card-an interest free Visa Card. The bank charges no interest, but customers pay an annual fee that is a percentage of their purchases. The credit limit is equal to the amount in their deposit accounts in the bank.

The Malaysian government is pushing for a country's financial services to go global and attract foreign capital. A member of Malaysian Islamic Investment funds hold shares worth \$780 million, most of them in foreign companies. However, these companies are carefully screened to ensure that stocks are not linked to liquor, gambling, or other activities regarded as sinful by Islamic teachings. Conservative Muslims criticize the government for allowing banks to conduct both Islamic-oriented and interest paying services under the same roof. According to these critics, some Islamic stockbrokers are handling companies that make some of their profits from interest received. Some argue that, it is impossible for Islamic financial institutions to become a major player in the global financial industry because the interest-paying services are an inevitable part of modern day financial business. ***"That concern is true"***, says Nik Ramlah, an official of the Malaysian Securities Commissions, ***"but it just underlines the need to introduce the necessary Islamic Financial Products to meet the needs of modern day investors"***.

Questions

- What role does religion play in customer behavior? Illustrate with the behavior of customers who follow the Islamic religion. (7 marks)
- What is a market value? Which of the market values do Islamic banks offer to Muslim customers, specific to each of the **buyer, user and payer**? (8 marks)
- Under what circumstances would Islamic bank products, such as the practice of Murabaha, be of value to non-Muslim customers? (5 marks)

SECTION B (20 MARKS)

PART B: Use the spaces provided on the question paper to answer the questions in this part (20 marks). Attempt all questions in this part

1. Define consumer behavior and briefly explain any **two (2)** reasons why the study of consumer behavior is important to marketers. **(4 marks)**.

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2. Briefly explain any **two (2)** main circumstances under which customers become competitors of business organizations and indicate the marketing implications of each. **(3 marks)**.

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3. For businesses to be able to serve the needs of their customers better, they need to be democratic. Briefly explain business democracy and justify the need for companies to be democratic. **(4 marks)**.

[illegible]

4. Briefly explain market segmentation and discuss two (2) bases of segmenting consumer market for appropriate marketing strategy. **(3 marks)**

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5. Briefly explain Maslow Hierarchy of needs and justify the need for marketers to study this model. **(6 marks)**.

[illegible]

SECTION C (40 MARKS)

THERE ARE THREE (3) QUESTIONS IN SECTION B.
ATTEMPT ANY TWO (2)

QUESTION ONE (20 MARKS)

- a. Marketers have realised that what consumers buy, when and how they consume products, are likely to be influenced by certain personality factors. For this reason, advertising messages have frequently emphasised specific personality traits.

Required

- i. What is personality? (2 marks)
 - ii. Discuss three (3) important distinct features that explain nature of personality indicating the marketing implications. (6 marks)
 - iii. Explain Freudian theory of personality and indicate the need for marketers to understand these traits. (6 marks)
- b. Business organizations need to create satisfied customers through a thorough understanding of their needs and wants. This calls for customer orientation. When firms become customer oriented they gain competitive advantage. State and explain the specific competitive advantages firms gain through customer orientation. (6 marks).

QUESTION TWO (20 MARKS)

- a. What is frustration? Briefly explain *three* (3) defence mechanisms that individuals mentally may adopt to redefine frustrating situations so as to protect their egos from feelings of failure when they do not attain their goals. (8 marks)
- b. Briefly explain the following mechanisms of consumer learning and indicate their marketing implications.
- i. Cognitive Learning (3 marks)
 - ii. Classical Conditioning (3 marks)
 - iii. Instrumental Conditioning (3 marks)
 - iv. Modelling (3 marks)

QUESTION THREE (20 MARKS)

- a. Motivation is a highly dynamic phenomenon that is constantly changing in reaction to life experiences. Needs and goals are constantly changing and growing in response to an individuals' physical condition, environment, interaction with others and experiences. Explain any **four (4)** reasons why need-driven human activity never ceases. **(8 marks)**.
- b. Perception is very important to the extent that when we buy products from the marketplace or when we are faced with making decision at the marketplace, we tend to bring into play a life time of learning about the world in general and the marketplace in particular. This therefore calls for businesses to understand customer's perceptions when it comes to purchases.

Required

- i. What is perception? Why is perception important to marketers? **(3 marks)**
- ii. Briefly explain **three (3)** steps of perceptual process. **(3 marks)**
- iii. Briefly explain three (3) factors that shape customer's perception indicating managerial implications. **(6 marks)**

All the best

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