

**Eastern University, Sri Lanka**  
**Faculty of Commerce & Management**  
**Third Year First Semester Examination in BBA**  
**Specialization in Marketing**  
**2016/2017 (2018) (Proper/Repeat) Oct/Nov 2018**  
**MKT 3033 Consumer Behaviour**

Answer all questions

Time: 03 Hours

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**Read the following case study and answer the questions given below.**

**Free Flights Promotion Ends in Disaster**

The Hoover company's attempts to sell more vacuum cleaners by offering an incentive of free flights has become a legendary disaster in the field of sales promotions. An examination of the case is useful for highlighting some of the problems of planning, implementing, and monitoring sales promotions.

During the early 1990s, Hoover was faced with a period of economic recession in which discretionary expenditure on consumer durables was held back. In these conditions, most vacuum sales were replacements for worn out machines or first-time buys for people setting up home. The challenge was to increase the sales of machines bought to upgrade existing equipment.

The company came up with the idea of offering free airline tickets to America for anybody buying one of its vacuum cleaners. For many people, a holiday in the USA may have been perceived as an unnecessary and unaffordable luxury during a period of recession, but one that might be justified if it came free with the purchase of an 'essential' vacuum cleaner.

The immediate result of the sales promotion was to boost the company's sales of vacuum cleaners to more than double the level of the previous year. So far so good, but then serious problems set in. The first problem occurred when Hoover could not satisfy demand for its vacuum cleaners and had to resort to paying its staff overtime rates of pay in order to increase supply. It should be remembered that the initial objective of the promotion was to utilize existing spare capacity rather than adding to

that capacity. The company had carried out insufficient research prior to launching its incentive. Had it done so, it may have reached the conclusion that the incentive was too generous and likely to create more demand than the company could cope with.

A second problem occurred during subsequent periods when sales fell to below the pre-incentive levels. Many people had simply brought forward their purchase of a vacuum cleaner. Worse still, many people had bought their cleaner simply to get the free tickets, which at £70 for a cleaner with a free £250 ticket made sense. These people frequently disposed of their cleaner as they had no need for it. The classified ads of many local newspapers contained many adverts for 'nearly new, unused' vacuum cleaners at discounted prices and this further depressed sales of new machines once the sales promotion had come to an end.

A third and more serious problem occurred when large numbers of buyers tried to use their free flight vouchers. All sales promotions are based on an assumption of take-up rates, which can be as low as 5-10 per cent. Anything higher and the cost of the incentives actually given away can wipe out the benefits arising from increased sales. In this case, Hoover had carried out insufficient pre-testing of the sales promotion in order to assess the likely take-up rate and was surprised by the actual take-up which subsequently occurred. In an attempt to control costs, the company became notorious for its attempts to 'suppress' take-up of free flights. Many claimants complained that telephone lines were constantly busy and, when they did get through, they were offered the most unattractive flights possible. It was reported that claimants from the south-east of England were only offered flights departing from Scotland and those from Scotland only offered flights from London, done to reduce the attractiveness of the free offer. These activities attracted high levels of coverage in the media and left a once highly respected brand as one with a perception of mistrust. Five years after the initial debacle, the Hoover Holiday Pressure Group continued to be an awkward reminder for the company.

The free flights promotion eventually cost Hoover a reported £37 million in redemption charges, without bringing about any long-term growth in sales. With

appropriate pre-testing, these costs could have been foreseen. Worse still, the company's brand image had been tarnished in a way that would take many years-if ever-to recover from.

### Questions

- i. **Illustrate** the marketing communication in consumer behaviour.  
(Marks 04)
  - ii. **What** are the inherent problems for a company such as Hoover in assessing the effectiveness of sales promotion activity?  
(Marks 06)
  - iii. **Briefly discuss** the importance of Marketing Research.  
(Marks 06)
  - iv. **Identify** a programme of research that Hoover could have undertaken in order to avoid the costly failure of its free flights promotion.  
(Marks 06)
  - v. **Explain** alternative methods of promotion that might have been more suitable to achieve Hoover's objective of utilizing spare capacity during a period of economic recession?  
(Marks 06)
- (Total 28 Marks)**
- i) *Consumer Learning is a process that evolves and changes as consumers acquire knowledge. Discuss* the elements of consumer learning.  
(Marks 04)
  - ii) *'Marketers can use technology to improve customer retention and enhance their bonds with customers'. Express* your views with this statement.  
(Marks 06)
  - iii) **Distinguish** the roles of extrinsic and intrinsic cues in the perceived quality of (a) soft drink, (b) restaurants, (c) smartphones and (d) graduate education.  
(Marks 08)
- (Total 18 Marks)**

Q3. i) *'Green consumers are attractive prospects for many products and marketers are targeting them'*. **Appraise** the green consumers.

(Marks 04)

ii) **Describe** personality trait theory. **Provide** examples to support this theory.

(Marks 06)

iii) *'Consumers often form positive attitudes towards new items under the same brand that they have been buying repeatedly and have been satisfied with'*. **Illustrate** the characteristics of attitudes and the functions of attitudes.

(Marks 08)

(Total 18 Marks)

Q4. i) **Examine** Google's role in advertising online.

(Marks 04)

ii) How can marketers use social networks, brand communities, and weblogs to locate new customers and target them?

(Marks 06)

iii) **Demonstrate** how the principles of (a) classical conditioning and (b) instrumental conditioning be applied to the development of marketing strategies?

(Marks 08)

(Total 18 Marks)

Q5. i) **Explain** how to identify global marketing opportunities.

(Marks 04)

ii) *'There are several 'barriers' that affect the accuracy with which consumers interpret messages. The most prominent ones are selective exposure and psychological noise'*. **Relate** selective exposure and psychological noise with examples.

(Marks 06)

iii) *'Altering consumer attitude is an important marketing strategy'*. **Briefly** explain the primary strategies for changing consumers' attitudes.

(Marks 08)

(Total 18 Marks)