Note: Some of the answers that follow are fuller and more comprehensive than would be expected from a well-prepared candidate. They have been written in this way to aid teaching, study and revision for tutors and candidates alike.

These Examiner's answers should be reviewed alongside the question paper for this examination which is now available on the CIMA website at www.cimaglobal.com/e1papers

The Post Exam Guide for this examination, which includes the marking guide for each question, will be published on the CIMA website by early January at www.cimaglobal.com/e1PEGS

SECTION A

Answer to Question One

Rationale

Sub-questions 1.1. to 1.10 test candidates' knowledge of a wide variety of topics within sections A, B, D and E of the syllabus through the use of objective test questions (OTQs) in a conventional multiple choice format.

The correct answers are:

1.1  B
1.2  B
1.3  B
1.4  A
1.5  A
1.6  A
1.7  D
1.8  D
1.9  D
1.10  D
Answer to Question Two

Requirement (a)

<table>
<thead>
<tr>
<th>Rationale</th>
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<tbody>
<tr>
<td>This question examines learning outcome C2(d) 'illustrate a plan for the implementation of a quality programme'.</td>
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<table>
<thead>
<tr>
<th>Suggested approach</th>
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<tbody>
<tr>
<td>Identify five main reasons</td>
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<tr>
<td>Describe each in turn</td>
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</table>

A number of common reasons for failure of Total Quality Management (TQM) programmes exist including those given below:

**Poor project management**
The introduction of the TQM programme may have been poorly project managed. This may have resulted in key stages being overlooked and/or ineffective communication of aims, etc. so leading to programme failure.

**A lack of impetus**
The implementation of TQM in an organisation is a long-term process. There may have been some sort of a 'tail-off' whereby after an initial burst of enthusiasm, management and workers may have failed to maintain interest.

**Lack of genuine buy-in by top management**
Successful introduction of TQM requires the commitment and support of top management. Programme failure may result where management is not totally convinced by the value of TQM and/or only pays 'lip service' to its principles.

**Cultural resistance**
If TQM’s principles are not compatible with an organisation’s prevailing culture and ways of 'doing things around here', there may be resistance or even rejection of TQM. (For instance, if the cultural emphasis does not change from punishment of mistakes to encouragement and rewards then the programme may fail.)

**Deflection**
The organisation may be deflected by other initiatives (e.g. business process re-engineering) or problems (e.g. organisational down-sizing) which can take attention away from the programme leading to its failure.

(Other valid responses are possible such as poor project definition, faulty resource planning and allocation, a lack of progress monitoring mechanisms, ineffective communication and coordination, inadequate attention given to education and training, threat to middle management, lack of departmental alignment, etc.)
**Requirement (b)**

**Rationale**
This question examines learning outcome B1(a) 'identify the value of information and information systems organisations'.

**Suggested approach**
- Define MIS in a sentence
- Identify potential benefits
- Explain each in turn

A management information system (MIS) refers to an organisational computer-based system that provides managers with the information needed to manage operations. The benefits of having good Management Information Systems include:

- Potentially **improved management control**, better managed departments and more effective operations.
- **Better informed decision making** and improved forecasting, etc. thanks to the comprehensive information available to managers.
- **Improved satisfaction and motivation** amongst managers as MIS will provide them with effective tools to enable them to cope with job requirements better.
- MIS provides middle managers with information to monitor the organisation’s activities leading to **improved budgetary control**, **inventory control**, etc.

(Other valid responses are possible such as responsiveness, efficiency and reduced errors, etc. and will receive credit.)

**Requirement (c)**

**Rationale**
This question examines learning outcome B1(c) 'discuss the transformation of organisations through technology'.

**Suggested approach**
- Identify five distinct advantages
- Describe each in turn

There are many significant advantages associated with web-based applications including those given below:

- Improved marketing operations thanks to online survey tools for **customer feedback** and search engines for **market research** and competitor intelligence, etc.
- A platform for doing business and internet shopping offering the potential to **reach new customers and markets**.
- The internet offers a tool for **improved communication** with stakeholders both internally (amongst departments and groups) and externally (e.g. suppliers, customers, business partners etc.) leading to greater cohesion and enhanced relationships.
- The potential for members of the workforce to work at home or outside the organisation’s premises generally leading to **greater organisational flexibility and staff satisfaction**.
Online customer services leading to enhanced customer responsiveness and loyalty.

(Other valid responses are possible including improvements to a supply chain leading to cost savings and new business thanks to online contract tendering, etc.)

Requirement (d)

Rationale
This question examines learning outcome B2(b) ‘discuss ways of organising and managing information system activities in the context of the wider organisation’.

Suggested approach
- Identify five risks
- Describe each in turn

There are several potential risks associated with computer-based operations for an organisation including those given below:

- The risk of unauthorised access from outside the organisation by 'hackers' or approved users accessing information not intended for them. Such privacy and security breaches could lead to data theft, fraud, vandalism, loss of confidentiality or industrial espionage, etc.

- The risk of physical damage to systems and equipment due to natural disasters, including fire, flood, heat or dust, etc. which could lead to a break down in operations or impediments in normal day to day trading.

- The risk of data corruption whereby reliability and continued operations are compromised by viruses, the work of hackers, etc.

- The risk of computer hardware and/or software malfunction due to programming and other unintentional errors, leading to operational problems, a loss of power, etc.

- The risk to users of continued operation of equipment such as repetitive strain injuries, eye strain, etc.

(Other valid responses such as inflexibility of operations, etc. are possible and these will also receive credit).

Requirement (e)

Rationale
This question examines learning outcome A1(a) ‘explain the emergence of major economies in Asia and Latin America’.

Suggested approach
- Briefly explain FDI
- Identify some reasons for it
- Explain each in turn

Foreign direct investment (FDI) is a direct investment into another country normally by a multinational enterprise (MNE), either by buying a local company or through ‘greenfield’ investment whereby new facilities are created to take advantage of local conditions in that country. The benefits of FDI for the host country include those factors listed below:
• FDI is likely to **create jobs** for the local population and **boost the economy** generally. Although the profits made by the MNE are still exported, the domestic economy should benefit from the wages earned by the workforce and the income earned by any local firms that supply the MNEs.

• An **influx of capital and increased local tax revenues** will result in improved economic growth in the host country.

• FDI will lead to a **transfer of new and advanced skills** through the skills training invested by MNEs in the local workers and the availability in the workplace of more advanced technology and management approaches.

• Host countries often try to channel FDI investment in 'greenfield' developments into **new infrastructure** and similar projects so that benefits are shared locally.

• Greater competition from companies controlled by MNEs can provide a **stimulus to productivity gains** and greater efficiency by the country's local companies.

(Other valid responses are possible and these will also receive credit).

**Requirement (f)**

<table>
<thead>
<tr>
<th>Rationale</th>
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<tr>
<td>This question examines learning outcome C1(a) 'explain the shift from price-based to relational procurement and operations'.</td>
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<th>Suggested approach</th>
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<tr>
<td>• Briefly describe the value chain</td>
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<tr>
<td>• Identify and then describe each primary activity involved</td>
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The concept of the value chain was developed by Michael Porter in the 1970s. The value chain is a dynamic process view of an organisation with both primary and secondary activities. Briefly, the effectiveness of how value chain activities are carried out determines the value that is created by the organisation, its costs and, by implication, its profits.

Primary activities can be grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service.

• **Inbound logistics**: involves the receipt, storing and handling of materials acquired by the organisation in their raw state.

• **Operations**: involves the processes used to transform these basic inputs into finished products.

• **Outbound logistics**: involves the warehousing and distribution of finished goods.

• **Marketing and sales**: involves the identification of customer needs and facilitating the sale of finished goods.

• **Service**: occurs after sales have been made (e.g. installation, support and repairs, etc.).
SECTION C

Answer to Question Three

Rationale

Requirement (a) examines learning outcome A1(b) ‘explain the emergence and importance of outsourcing and offshoring’, requirement (b) examines learning outcome E1(b) ‘explain the importance of ethical behaviour in business generally and for the line manager and their activities’ and requirement (c) examines learning outcome E2(b) ‘discuss the HR activities associated with the motivation of employees’.

Suggested approach

(a)  
- Identify which activities should be outsourced
- Explain how choices should be arrived at

(b)  
- Identify initiatives that are ethical
- Describe each in turn

(c)  
- Identify the likely impacts
- Describe each in turn

Requirement (a)

Outsourcing involves dealing with key decisions an organisation makes over whether to perform production or process activities itself or to sub-contract or outsource such activities to a third party. In this case the impetus for change in aRL comes from the new Government. aRL’s management will need to take into account a number of different factors when deciding which of its activities should be outsourced.

Activities that will contribute significantly to the required workforce reduction

Part of Rainland Government's programme for change includes a requirement for all nationalised companies to both reduce their workforce and outsource a ‘significant proportion’ of their activities. Both initiatives are linked - the very act of outsourcing activities will automatically reduce an organisation’s workforce numbers. When deciding which activities to outsource obviously aRL will look at those areas that are labour intensive. Labour intensive areas will make the most significant contribution to the 50% target. Activities within aRL that are not very labour intensive could potentially be exposed to outsourcing but the impact would not be great upon the headcount reduction required.

Activities where aRL currently has a difficulty

There may be activities within aRL where management recognises that it has a strategic weakness. (Such a weakness may be as a result of a variety of factors, e.g. a lack of expertise, a failure to recruit staff with the correct skills or a lack of investment in technology, etc.) Whatever the cause, this weakness could be quickly remedied through outsourcing the activity.

The nature of competence the activity represents: core competences

aRL’s management deliberations may be guided by an underlying understanding of competences and their nature. According to Johnson, Scholes and Whittington (2008) competences are “the skills and abilities by which resources are deployed effectively through an organisation’s activities and processes”. Strategic competences can be classified as either ‘threshold or ‘core’ competences. Threshold competences represent the level of competence necessary for an organisation to compete and survive in a given industry and market. (For example, a manufacturing operation such as aRL must, like all its competitors, have a logistics system that allows goods to be delivered to their customers as promised). Core competences by comparison involve something the organisation does that underpins a source of competitive advantage it holds. For example, if aRL has a superior logistics
system capable of delivering goods a day or two earlier than its rivals, this represents a core
competence.

A step in the decision making process for aRL therefore is to categorise the nature of the
competences underpinning the activity concerned and ensure that threshold competences are
maintained through outsourcing and core competences are protected at all costs. Cox (1996)
expands the competence categorisation to include ‘complementary’ and ‘residual’ competences and
suggests that companies should never consider outsourcing core competences due to the need for
maintaining a competitive advantage.

The nature of competence the activity represents: complementary competences
Following Cox’s categorisation of competences (1996) aRL’s management should decide which of its
activities can be classified as ‘complementary’ competences. In such cases, aRL should consider
outsourcing, but only if there are trusted suppliers and management are confident it has the
necessary skills to supply the service to an appropriate standard. To ensure continuity of supply aRL
should also consider developing a strategic relationship with the supplier.

The nature of competence the activity represents: residual competences
Following Cox’s categorisation of competences (1996) once more, aRL’s management should decide
which of its activities can be classified as lower level ‘residual’ competencies. In these areas, aRL
should consider outsourcing by means of an ‘arm’s length’ relationship as there is less risk involved.

Experience of others
When deciding which of its activities should be chosen, aRL’s management should take account of
the experience of other public sector and competitor organisations when undertaking outsourcing.
Those areas that appear to have been successfully outsourced by others may guide aRL’s future
practice.

Reputation and nature of supplying companies
The reputation of potential contractor companies (in terms of reliability, quality of work, price, etc.) and
nature of that contractor (e.g. in terms of history, size, capability, etc.) may guide thinking on which
areas should be exposed to outsourcing. If there are several trusted contractors in a particular area
the risk of outsourcing would be lessened.

Potential to become a core competence
Quinn and Hilmer (1994) identified three tests for outsourcing the first being ”what is the potential for
gaining competitive advantage from this activity, taking account of transaction costs?” The lower the
potential, the more sensible it is for aRL to outsource. Conversely aRL’s management should be wary
of outsourcing any activity that could potentially become a source of future competitive advantage if
retained in-house. Core activities are precious and should not be trusted to outsource partners.

The likelihood of market failure
The second of Quinn and Hilmer’s (1994) tests is “what is the potential vulnerability to market failure
that could arise if the activity was outsourced?” It follows that the lower the risk, the more sensible it is
for aRL to outsource the activity. The higher the risk the less inclined aRL’s management should be to
expose this area to outsourcing.

Identifying necessary safeguards
The final Quinn and Hilmer (1994) test is “what can be done to reduce risks of market failure or non-
performance by structuring arrangements with suppliers in such a way as to protect ourselves?” The
issue for aRL’s management is to consider whether adequate protection can be put in place and only
if it can should outsourcing take place.

(Other valid responses are possible and these will also receive credit.)
Requirement (b)

In order to implement the Government’s policy aRL’s management have identified three crucial questions to be addressed including how to reduce workforce numbers whilst acting as honestly and as fairly as possible, consistent with being a ‘good employer’. Above all else, aRL will wish to preserve the reasonable expectations an employee might have of it as an employer (e.g. to be treated ‘properly’ in return for fulfilling a number of reasonable requirements). This thinking forms the basis of the psychological contract which is important in a number of ways due to its impact on HR issues such as motivation (and therefore productivity) and retention. If employees believe that management has broken this ‘contract’ a negative impact might result leading to difficulties such as job dissatisfaction and lack of individual commitment, etc.

Minimising human cost

As a good employer aRL will, as far as possible, want to minimise the human cost involved whilst achieving job reductions. This means that the actions will need to be sensitively handled and management should seek to cushion negative impacts upon any individuals affected. Consideration should be given to ways of compensating individuals for loss or minimising the severity of actions that could be taken.

Reduce numbers through natural wastage, etc.

As a first step, aRL should review current staff turnover rates and then determine how much of the 50% reduction can be achieved through ‘natural wastage’ due to normal turnover. aRL’s management should also be able to use its human resource records to project the number of staff who will reach retirement age within the next two years. Normal retirements and natural turnover will contribute to the 50% target and aRL’s management should then make clear the projected job losses that will also be required to meet the government target. Honesty in this matter and realistic estimates should help preserve the organisation’s reputation as a good employer.

No further recruitment

Given the requirement to reduce staff numbers, aRL should put an embargo on further external recruitment early on. Instead the organisation should seek to fill vital posts from ‘within’. In addition, aRL should also stop any overtime working and seek to spread excess work to other under-utilised employees. Measures such as these will help preserve existing jobs.

Encouraging those over retirement age to leave

There may be certain employees who are over ‘normal’ retirement age but who choose to continue to work. After discussions with trade union groups it may be possible to encourage such staff to retire (possibly by offering inducements).

Communication and transparency of the process

Key features of the operation of an organisation considered to be a ‘good employer’ include effective communication and transparency of processes. aRL will therefore need to consider and discuss possible alternative actions with the relevant trade unions and/or staff representatives and be clear as to how it intends to conduct the process and the timescales involved. The important thing is that any proposal for change in response to the Government policy is formulated in conjunction with key stakeholders (not least key employee groups) rather than being devised in private and then presented as a fait accompli.

Counselling and practical support

As a good employer, aRL should consider appropriate and varied forms of support for individuals affected by job reductions. This might involve organising counselling and peer support groups, support for those retiring early and (if there is an embargo on recruitment) retraining opportunities for those with skill deficiencies in order to undertake different roles within the company.

More flexible working practices

The new Government has announced that all nationalised companies need to reduce their workforce by 50% (calculated as computed ‘full time equivalent’ numbers). aRL may give consideration to adopting more flexible working practices such as offers of job-sharing between two or more people, and/or a shorter working week for certain groups. Measures such as these will preserve employment, reduce the computed ‘full time equivalents’ so contributing towards the 50% target (but will not reduce absolute payroll numbers).
Help for redundant workers
If, as a last resort, there is a need for compulsory redundancies, aRL must follow any established and agreed processes. For those workers made redundant the organisation should do all it can to assist displaced individuals to find new work, by offering a range of opportunities such as retraining, career coaching, sessions in CV writing and financial advice, outplacement consultants and job fairs, etc. in order to get redundant workers back into work as soon as possible.

Redefining roles sensitively
In order to improve an employee’s contribution, a number of management approaches are generally adopted including job enlargement (expanding a job role with tasks at a similar level of difficulty), job rotation (a periodic swapping of roles) and job enrichment (adding tasks that might normally be carried out by someone on a superior grade). It is clear that aRL will need to readjust its workforce and working practices in the future but these measures should be used sensitively for fear of underlying motives being misinterpreted by a less trusting workforce.

Outsourcing negotiations
As explained in part (a), Rainland’s new Government now requires nationalised companies such as aRL to both reduce workforce numbers and outsource a ‘significant proportion’ of their activities. Where (presumably) non-core activities are outsourced it may be possible to try to negotiate terms whereby aRL staff potentially displaced through outsourcing are taken on by the contractor, so preserving employment of individuals, albeit outside the company.

(Other factors may be valid and if identified will also receive credit.)

Requirement (c)
aRL’s management has rightly identified the consequences of an inevitable loss of motivation amongst its workforce as a crucial issue.

The new Government’s requirement for all nationalised companies to reduce their workforce by 50% and outsource a ‘significant proportion’ of their activities over such a short space of time is bound to impact negatively on the workforce of such companies. There is likely to be a particular feeling of injustice amongst aRL’s workforce because the company is not regarded as inefficient and unlike others, does not rely on big government subsidies, indeed certain loss making operations have been turned around over the past few years.

Motivation has been defined as "the driving force within individuals by which they attempt to achieve some goal in order to fulfil some need or expectation” (Mullins, 2007). Levels of motivation influence both employee productivity and quality of work. The likely impact of a loss of motivation amongst its workforce might show itself in a number of ways including those described below.

Loss in productivity through increased absence through sickness
aRL currently has a well-motivated workforce with high productivity levels per employee. A loss in motivation often shows up as increased absence through sickness and less productivity generally. The danger for aRL is that if absence through sickness increases the current high levels of productivity will fall, the company will be less competitive and may not operate as efficiently as it has in the recent past.

Damaged industrial relations
Key ingredients for positive industrial relations are currently present within aRL: good management, a highly motivated workforce and high productivity. If motivation diminishes this could lead to difficult industrial relations and disputes that can be harmful to productivity and profitability targets.

Increased worker turnover
Typical consequences of a loss of motivation amongst any workforce includes poor staff retention and greater levels of staff turnover. Given the current Government policy requirement, this may appear at first sight to be a good thing. This is not necessarily the case as there may be an exodus of aRL’s most talented workers in areas that the firm does not wish to outsource. This could leave the firm exposed and with a staff-skills mismatch and gaps in key abilities and talents.
**Damaged organisational culture**
A relatively recent concept of organisational citizenship behaviour (OCB) describes the efforts of those who voluntarily undertake innovative, spontaneous tasks that go beyond their normal job role. Organ (1988) describes such behaviour as “...discretionary, not directly or explicitly recognised by the formal rewards system and that in aggregate promote effective functioning of an organisation”. Clearly such behaviour is most apparent in organisations that have positive inclusive cultures that value team work and adopt supportive management approaches. It could be reasonably speculated that aRL’s relatively encouraging corporate performance is partly as result of a positive organisational culture. A loss of motivation amongst aRL’s workforce could damage this positive culture. A weakened culture can harm the long term future of the firm by damaging innovation and creativity.

**Diminished ’feel-good’ factor**
Motivated workers often take pride in the organisation they work for. This is likely to be the case for aRL which is well managed and known as a ‘good employer’. If motivation within the workforce falls away because of unfavourable government announcements there will be a diminished feel-good factor, less positive feelings towards the organisation, lower productivity levels and poorer quality work.

(Other factors e.g. a threat to the preservation of the existing psychological contract are valid and will receive credit.)
**Answer to Question Four**

<table>
<thead>
<tr>
<th>Rationale</th>
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<tr>
<td>Requirement (a) examines learning outcome C1(b) ‘explain the relationship of operations and supply management to the competitiveness of the firm’. Requirement (b) examines learning outcome D2(e) ‘explain the role of branding and brand equity’ and requirement (c) examines learning outcome D2(c) ‘describe the business contexts within which marketing principles can be applied’.</td>
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<table>
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<tr>
<th>Suggested approach</th>
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| (a) Identify different capacity planning strategies  
Explain each in turn in a way that is relevant to different managerial disciplines within the industry |
| (b) Identify the reasons why a strong brand could be important  
Explain each reason in more detail with reference to the scenario |
| (c) Briefly describe the product lifecycle  
Taking each stage in turn explain how future sales might be understood |

**Requirement (a)**

The implications of operating particular capacity management strategies for automobile producers will be of relevance to several types of manager who will be at the conference including operations managers, finance managers, marketing managers, production managers and human resource (HR) managers.

**The need for capacity management**

All organisations are capacity-constrained to a degree and so methods of ‘balancing’ demand and productive capacity is a key challenge in operations management. Capacity and hence supply is fixed by factors largely internal to a particular organisation such as its facilities, systems, technology, human resources and capability, etc. Demand is by comparison less easily controlled by an organisation as it represents a force external. Inevitably there will be fluctuations between these two dimensions of supply and demand. For automobile producers, like any other organisation, effective capacity management is vital. Effective capacity management ensures that customers’ needs are more effectively met and that there are fewer unfulfilled delivery date promises.

Although globally there is ‘overcapacity’ in the industry there is excess demand for specialist makes and models in certain parts of the world. There are several strategies available to the industry for dealing with variations in demand and matching production capacity including ‘level capacity’ planning, ‘demand management’ planning and ‘chase demand’ planning.

**About level capacity**

The level capacity approach concentrates on inventory levels and so is of particular interest to operations managers, and (because of the consequent revenue requirement), finance managers. Level capacity involves building inventory to levels sufficient to deal with increases in demand beyond what is normally expected. For the automobile industry this suggests a building of buffer stocks of cars to deal with periods of excess demand.

By adopting a level capacity strategy customer satisfaction may be improved short term by making immediate or near-immediate delivery possible so doing away with waiting lists and extended delivery periods. Level capacity does however increase stockholding costs and demands more working capital to build stocks. This approach may be effective but comes at a cost and may not be the most effective means of capacity management.

**About demand strategies**

The demand strategy approach as its name suggests, concentrates on demand rather than supply. Demand may be external but strategies can attempt to influence it by ‘smoothing’ variations so that a
seller of cars is better able to cope. In effect, demand is manipulated so that it is 'made' to 'fit' supply capability. This will be of particular relevance to marketing managers in the automobile industry. Marketing managers will want to ensure that the basic marketing mix of product, price, promotion and place is appropriate. This may involve, for instance, varying the price of cars to either encourage or cool demand, intensify promotional activity in 'slack' periods and restrict sales outlets (place) when there is excess demand, etc.

Benefits: A clear approach.

Implications: these marketing tactics represent short-term practices and may not benefit the organisation long-term. Customers may decide to switch to a competitor's product when full prices are applied or when promotional campaigns are over.

In the UK, car sales are seasonal and generally peak twice yearly, coinciding with changes in the type of car registration plate numbering. In the months immediately before a change of car numbers prices tend to be discounted and 'deals' offered. For finance managers, profitability may be affected as a result of financing sales promotions and price reductions as part of a demand strategy.

About chase strategies
The chase strategy approach concentrates on levels of activity, and involves the car producer constantly adjusting activity levels to shadow fluctuations in demand. This will be of particular relevance to both production managers and human resource (HR) managers. HR managers will be looking to develop a flexible workforce, flexible structures and appropriate HR policies and practice in terms of rewards, recruitment and training to allow the organisation to display maximum flexibility and responsiveness to customer demands. So for example, core working hours could be adjusted so that in times of high demand workers may work (say) a 50 hour week and in slack periods a 30 hour week. In addition, skill flexibility might be achieved by cross training employees to perform different operations.

Benefits: By flexible approaches to resourcing 'peaks and troughs' might be accommodated and customer demands met.

Implications: A supportive culture and good industrial relations need cultivating.

A combined approach
Rather than adopt one strategy or another, in reality most organisations combine several approaches when managing capacity. In the automobile industry manufacturing plants already often hold finished cars that have yet to be ordered, while promotional activity and price cutting is often aimed at selling certain types of cars that will soon be replaced by newer models. At the same time modern automobile workforces often exhibit highly flexible approaches.

(Other valid responses are possible and will also receive credit.)

Requirement (b)

'New generation' cars are fuelled by hydrogen and constructed with body parts from 80% plus recycled materials. They will represent a new and costly development for any car producer in terms of research and development. Significantly a strong brand could be important in determining the success of such a development for a particular company. Little wonder then that the most favourable brands are a significant source of organisational strength and may even be a key organisational asset.

Past history and buying patterns
Car companies with the strongest brand name have, in the past, been successful with more environmentally friendly models (such as electric, hybrid and those with lower CO2 emissions). In short a strong brand is good for sales to customers with particular environmental concerns and this trend is likely to continue for 'new generation' cars.

Strong brands lead to customer loyalty and repeat sales
When customers have a level of familiarity and recognition for a particular car name and its associated aspects such as badges, symbols and slogans, brand awareness has been achieved. This
awareness will hopefully lead to brand loyalty and repeat sales of cars from a particular company. It is likely that this pattern will extend to new generation cars produced by a particular motor company.

Strong brands communicate a company’s vision
Brands are a quick way of communicating to the market place what an organisation stands for. As well as communication of the unique product characteristics, brands assist image creation and vision projection. These factors could be important in the production and subsequent sale of ‘new generation’ vehicles. If a narrative can be developed that a certain brand has, in the past, demonstrated its green credentials and the ‘new generation’ cars are a natural extension of this policy then potential customers may respond favourably.

Strong brands help product differentiation
A strong brand distinguishes one company from its competitors by making it easily recognisable. In this case, a particular difficulty is that there are plenty of cars on the market and competition in the industry is intense. This makes the value of a particular brand more important because it helps draw attention to features that differentiate one make of car from another. Certain brands may present an image of themselves as being good at getting cars to market first, or good at introducing ‘greener’ cars that maintain performance whilst others may appear to be a ‘less risky’ option for a buyer, etc.

Strong brands generally command premium prices
Brands that communicate a car manufacturer’s social and environmental credentials will allow it to charge more for its vehicles. There will be consumers who naturally choose socially and environmentally responsible products over others and are prepared to pay a little more to do so, particularly where a brand is attached that is desirable. This may be crucial because, due to high research and development costs, the unit costs of ‘new generation’ cars are likely to be relatively high in the short term.

Strong brands infer superiority of a particular car
Branded goods will always attract higher prices than unbranded products. The appeal of brands is that these goods are somehow perceived as being ‘superior’ in some way. Given the additional production and research and development costs associated with ‘new generation’ cars those companies with a strong brand could be important to the success of ‘new generation’ cars.

Strong brands connect with the customer base
Successful brands create special relationships with customers because of their intangible qualities that provoke strong emotional responses by individuals. A brand represents the linkage between the product, what it stands for and the consumers’ own beliefs. Modern consumers have higher expectations of companies than ever before, thanks to greater choice of products and easy access to company information. A brand is a way of describing all the information or perceptions that are connected with a particular product or service. The brand is therefore important in captivating consumers and fulfilling their expectations. It is likely that the strongest brands will more easily make such a connection with customers in relation to ‘new generation’ cars.

Strong brands allow customers to ‘make statements’
Brands are important because they allow individual customers to make statements about themselves. For instance, branded watches, footwear and clothing help project images for those who wear them as being either sophisticated, trendy, fun-loving or sporting etc. In the case of ‘new generation’ cars, it is likely that customers will feel that they have (however indirectly and modestly) somehow contributed to some worthy environmental cause and will wish to demonstrate this by driving the make of car they do.

Strong brands offer reassurance over the purchase
Potential customers of vehicles with new technology such as ‘new generation’ cars may initially have concerns over unproven technology, potential repair costs, safety risks and concerns over resale value etc. In this respect brands may offer some reassurance. Following a purchase, the individual customers will inevitably consider whether they made the correct choice or not, particularly when a less well established product is purchased. Companies with the most reliable brand will give greater reassurance to a purchaser of a ‘new generation’ car.

(Other valid responses are possible and these will also receive credit.)
Requirement (c)

The product life cycle
Classically, marketing theory explains products as passing through a cycle of life normally depicted in terms of time on the horizontal x axis and revenue on the vertical y axis. Most products are said to have a life cycle, which has certain distinct stages which the model assumes all products pass through. (Certain products (e.g. Kellogg’s cornflakes) have existed in their present form for many years throwing doubt on the theory, however this thinking remains popular).

If the life cycle theory is correct, its associated stages may offer insights into future sales of 'new generation' cars, which is an area of particular interest to conference delegates.

Introduction stage
The introduction stage of the life cycle reflects when an organisation starts to produce and sell a new product. This is the stage at which 'new generation' cars have reached (a few companies are due to launch their version of the car in spring next year). Relatively high prices tend to be charged at this stage, because the product is new, supply is limited and there are heavy research and development costs to recover. At this stage, demand and hence sales are low and heavy advertising or other promotional activity may be necessary to make customers aware of the product and introduce them to the potential benefits of 'new generation' cars.

Growth stage
The next stage of growth recognises the increasing success of the product reflected in increasing sales thanks to demand for the product building within the industry as a whole. Marketing messages have been heeded by customers. Unit prices may fall, but profits may improve because of the higher volume of sales. It may be that product design of 'new generation' cars may improve as car producers gain production and marketing experience.

Furthermore car companies are likely to enter the market and start producing further versions of 'new generation' cars. As the product is proving successful, competition between rival producers intensifies. The most significant feature of this stage is increasing complexity as the range of products widens as producers seek to attract customers from each other with novel features. The marketing focus is upon differentiating the firm’s product and brand in the minds of customers.

Maturity stage
The maturity stage represents the longest stage in the life cycle of most successful products. This is where sales settle down into a pattern of replacement purchasing and overall industry sales remain consistently high but do not peak any further. Demand has reached its limit. For producers of successful 'new generation' cars there will be no further research and development costs. As there is market awareness, promotional costs will also reduce. At the same time sales should remain constant in the industry as a whole.

Decline stage
The final stage of the life cycle reflects a decline of product sales as technically superior alternatives replace the product (in this instance possibly new vehicles with even cleaner, greener fuel sources or more recycled parts may become available). The existence of these rival products will cause sharp profit reductions among manufacturers and many car companies will switch production away from 'new generation' cars. As demand starts to fall, so prices (and profits) reduce until eventually the product disappears from the market.

Note: some marketing thinkers add the additional stage of 'shake-out' between growth and maturity stages where the weakest producers are 'shaken' from the market and cease production.