
CHUKA



UNIVERSITY

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CHUKA & THARAKA CAMPUSES

**SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
PROCUREMENT AND LOGISTICS MANAGEMENT**

BCOM 221 PRINCIPLES OF MARKETING

STREAMS: BPLM Y2S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 14/12/2018

11.30 A.M - 1.30 P.M.

INSTRUCTIONS

- **Answer question ONE (COMPULSORY) in Section A and any other TWO Questions from Section B.**

QUESTION ONE: - (COMPULSORY)

Standard Chartered Bank lures small and Micro Enterprises with unsecured loans.

Standard Chartered Kenya says it will use automated analysis to advance unsecured loans to households and SMEs, which most Kenyan banks have shunned since the onset of interest rate controls, citing their perceived high-risk levels.

StanChart head of retail banking David Idiru said the Country's fifth-largest lender by market share would tract and analyze borrower's transitions dating back to 10 years, helping lock out those who do not meet its credit risk threshold.

Small and mid-sized enterprises, as well as household, have been hard hit following the September 2016 ceilings on loan charges at four percent points above the Central Bank Rate, presently at 9.5 percent.

"We continue lending in unsecured space.....but with interest rate cap, we are cautious. We have invested a lot in technology and analytics and based on that, you can take a risk on certain kinds of clients," Mr. Idiru said.

Most lenders in the risk-averse industry have suspended unsecured personal loans due to a perceived higher risk of default, exacerbated by higher impairment costs as a result of global accounting rules enforced last January.

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The International Financial Reporting Standards require banks to set aside cash for expected rather than incurred credit loss (as was previously the case under Central Bank of Kenya's prudential guidelines) using historical loan repayment record of the borrower.

Stanchart went against the grain in August last year offering to lend Kshs.10 billion in unsecured personal loans in a 45-day campaign through mid-October whose uptake Mr. Idiru described as "extremely good".

"Because we have been keeping this (credit) data for 10 years, we can see the age, the company the person works for and the credit reference bureau data," he said.

"A combination of these factors will show that a client of this age working for such an organization will have a lower loan default risk."

Non-performing loans in the industry have risen steadily from 4.4 per cent of gross loans in 2011 to 9.2 percent in 2016 and 10.6 percent last year, the Central Bank statistics show.

Mr. Idiru spoke after StanChart announced a partnership with card payments giant Visa to extend its loyal points reward scheme, which has been available to credit cardholders for the last two years, to clients using automated teller machine (ATM) cards for shopping.

The rebranded scheme, dubbed 360⁰ rewards, is seen as a medium-term strategy to cut operating costs for additional ATMs by driving cashless transactions.

For every Kshs.100 spent on shopping the customers earn a point, which they will accumulate and redeem for a shopping voucher at selected stores.

Required:

- (a) You have been newly recruited marketing manager at Standard Chartered Bank. Explain how you will attract many customers. [10 Marks]
- (b) Discuss how you will grow the Bank's business in Kenya. [10 Marks]
- (c) Explain how you will retain the Standard Chartered Bank customers. [10 Marks]

SECTION B: - ANSWER ANY OTHER TWO QUESTIONS

QUESTION TWO

- 2. (a) How might the pricing strategies for a line of fast moving consumer good vary over time in Kenya? [10 Marks]
- (b) How do indirect marketing channel differ from direct marketing channels? How do intermediaries contribute to marketing channels? [10 Marks]

QUESTION THREE

- (a) Explain the concept of consumer adoption for a fast moving consumer goods industry. [6 Marks]

- (b) Discuss the concept of integrated marketing communication applicable in Tharaka Nithi County. [14 Marks]

QUESTION FOUR

- (a) Explain to the local business community in Ndagani the concept of marketing management philosophies. [6 Marks]

 - (b) Discuss the concept of product line and product mix to delegates attending marketing seminar in Tharaka Nithi County. [14 Marks]
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