



ZIMBABWE EZEKIEL GUTI UNIVERSITY

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FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

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DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

MODULE CODE : MSTM513  
MODULE TITLE : STRATEGIC MARKETING  
DURATION : 3 Hours  
LEVEL : 1.1  
DATE : 23 SEP 2024

**INSTRUCTIONS TO CANDIDATES:**

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed
3. Answer question number **one (1)** in Section A (Compulsory) and any other **three (3)** questions in Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets [ ]
6. Show all workings, where applicable.

### **Question 1: [40 marks]**

#### The Evolution and Impact of Amazon Prime

Amazon Prime, launched in 2005, has evolved from a simple subscription service offering free two-day shipping to a comprehensive membership program with numerous benefits, fundamentally transforming customer expectations and loyalty. Let's delve deeper into the key elements that have made Amazon Prime a cornerstone of Amazon's strategy.

The inception of Amazon Prime was driven by Jeff Bezos' vision to create a service that would foster customer loyalty and increase the frequency of purchases. For an annual fee, members could avail themselves of free two-day shipping on millions of items. This concept was revolutionary at the time, as it addressed one of the biggest pain points in e-commerce: shipping costs and delivery times.

Over the years, Amazon Prime's value proposition has expanded significantly, incorporating various services designed to enhance the customer experience and create a more integrated ecosystem. Key additions include:

**Prime Video:** Launched in 2011, Prime Video offers unlimited streaming of movies and TV shows, including original content produced by Amazon Studios. This service competes with other streaming giants like Netflix and Hulu, adding significant value to the Prime membership.

**Prime Music:** Introduced in 2014, Prime Music provides access to a vast library of songs and playlists, enriching the entertainment options for Prime members.

**Prime Reading:** Prime Reading allows members to borrow books, magazines, and more from the Prime Reading catalogue, catering to the literary interests of users.

**Amazon Fresh and Whole Foods Discounts:** Prime members receive exclusive discounts and offers at Whole Foods, and in some regions, they can access Amazon Fresh for grocery deliveries. This integration into the grocery sector further embeds Amazon into the daily lives of its customers.

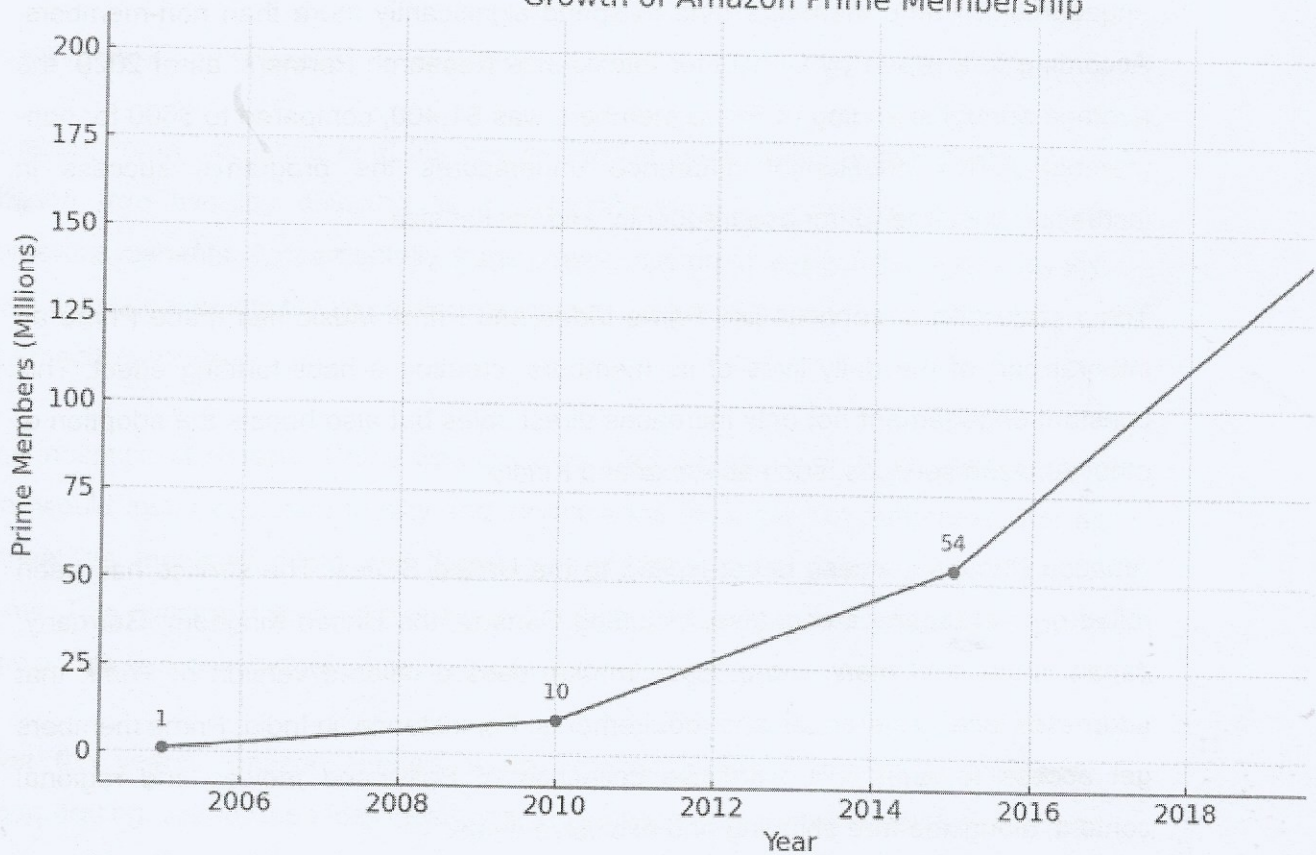
**Twitch Prime:** Acquired in 2014, Twitch Prime offers gamers free games, in-game content, and a monthly Twitch channel subscription, appealing to the gaming community.

Amazon Prime has been incredibly effective in driving customer loyalty and engagement. Prime members tend to spend significantly more than non-members. According to a report by Consumer Intelligence Research Partners, as of 2020, the average annual spending of Prime members was \$1,400, compared to \$600 for non-members. This substantial difference underscores the program's success in increasing customer purchase frequency and basket size.

The introduction of services like Prime Video and Prime Music has made Prime an integral part of the daily lives of its members, creating a habit-forming effect. This constant engagement not only increases direct sales but also boosts the adoption of other Amazon services, such as Alexa and Kindle.

Amazon Prime's success is not limited to the United States. The service has been rolled out in numerous countries, including Canada, the United Kingdom, Germany, Japan, India, and many more. Each market sees a tailored version of Prime that addresses local preferences and requirements. For instance, in India, Prime members get access to Amazon's extensive collection of Bollywood movies and regional content, alongside free shipping and exclusive deals.

Growth of Amazon Prime Membership



The global expansion of Amazon Prime has been strategic, targeting high-growth markets and adapting the offering to local needs. This approach has allowed Amazon to capture a significant market share and build a strong international customer base.

Technological innovation has been at the heart of Amazon Prime's success. The introduction of features like same-day delivery, Prime Now (for ultra-fast delivery), and Amazon Key (which allows couriers to deliver packages inside a customer's home or car) demonstrates Amazon's commitment to leveraging technology to enhance convenience and customer satisfaction.

Additionally, Amazon's use of data analytics to understand customer behavior and preferences has enabled the company to personalize recommendations and improve the overall shopping experience. This data-driven approach has been instrumental in increasing Prime membership renewals and reducing churn.

Amazon Prime has had a profound impact on Amazon's financial performance. Although the company does not disclose specific revenue figures for Prime, it is estimated that subscription services, which include Prime memberships, generated approximately \$25.21 billion in revenue in 2020 . This revenue stream is highly lucrative due to its recurring nature, providing Amazon with a stable and predictable cash flow.

Moreover, the incremental spending by Prime members significantly boosts Amazon's overall sales. The integration of Prime benefits into various aspects of the Amazon ecosystem, from e-commerce to entertainment, creates multiple touchpoints for revenue generation, further solidifying Amazon's market dominance.

Prime's success is evident in the numbers: as of 2021, Amazon Prime had over 200 million members worldwide. Prime members spend significantly more on Amazon compared to non-members, highlighting the program's effectiveness in driving customer engagement and revenue growth.

#### Questions

- 1a) Analyse Amazon's use of the Ansoff Matrix in its growth strategy with Prime. How has Prime contributed to market penetration, market development, and product development? **(8 marks)**
- b) Evaluate Amazon's competitive position with Prime in relation to Porter's generic strategies. How has Prime helped Amazon achieve a sustainable competitive advantage? **(8 marks)**
- c) Discuss how Amazon has leveraged strategic alliances and partnerships to enhance the Prime offering. How have these collaborations contributed to the overall success of Prime? **(8 marks)**
- d) Assess whether Amazon's creation of Prime can be considered a blue ocean strategy. Justify your answer with specific examples of how Prime has challenged industry boundaries and created new value propositions. **(8 marks)**
- e) Analyse how Amazon Prime has influenced the competitive landscape in e-commerce. How have competitors responded to Prime's success, and what strategies has Amazon employed to maintain its leadership position? **(8 marks)**

**SECTION B. ANSWER 3 QUESTIONS FROM THIS SECTION. EACH QUESTION CARRIES EQUAL MARKS**

**Question 2:**

Examine the challenges of measuring customer satisfaction and loyalty. What metrics can be used to assess customer-based performance? **[20 marks]**

**Question 3:**

Discuss the concept of value co-creation. How can companies involve customers in the value creation process? **[20 marks]**

**Question 4:**

Distinguish between a company's mission, vision, and objectives. Explain how these elements are interrelated and contribute to the overall strategic direction of an organization. **[20 marks]**

**Question 5:**

Critically analyse the importance of understanding a company's internal and external environment in the strategic planning process. How does this understanding influence the formulation of a successful marketing strategy? **[20 marks]**

**Question 6:**

Discuss the product life cycle concept. How can marketers develop strategies for different stages of the product life cycle? **[20 marks]**