



MARKETING MANAGEMENT

Term - Year

Prof. Karyl Lakishyk

Time: 2.5 hours
Total Points Possible: _ _ _

Instructions: This is a closed book/closed note exam. You are allowed one page of notes (you will need to submit this page with your exam) and a calculator. You will be graded on your ability to demonstrate your *understanding of the material rather than the length of your answer*. Therefore, your answers are expected to be well-organized, thorough and to the point. Although your answers do not need to be in complete sentence format, they have to be logical and complete thoughts. You may use tables or figures to help illustrate your answer where you see fit. If you need, write on the reverse side of the page. The exam is designed, however, so that you can answer each question in the space provided. There are three sections in this exam. Point distributions and suggested time are provided for each section.

Please enter your name and student number below. By signing your name you affirm that all of the work you do on this exam is *your own* and that you agree to abide by the closed book/closed note requirement.

NOTE These are sample questions only. They are meant to give an idea of the type and style of examination questions you can expect. Keep in mind the following:

* There are more questions in this sample than I would ask in a 2.5 hour exam.

**The sample questions are representative and tailored to the experiences of students in the past core marketing courses taught by me. They should give you an idea of the *type of questions* that may appear on the exam, not the specific topics (which depend on the material covered and readings used in the respective courses).

*** The topics covered in your exam will be tailored to the readings, discussions and experiences we had in this course.

NAME: _____

Student # _____

Question X According to research in telecommunications industry, an average Italian consumer is expected to stay with the same company for 5 years. Given this information, what monthly customer retention would you expect for Italian mobile phone operators? (7 points)

Question X

The price of issue of a magazine when a customer buys on the newsstand is much higher than the price of the same issue received through subscription by mail.

a) This is an example of... (continue this sentence and explain) (4 points)

b) What are the necessary conditions that make such pricing possible? (6 points)

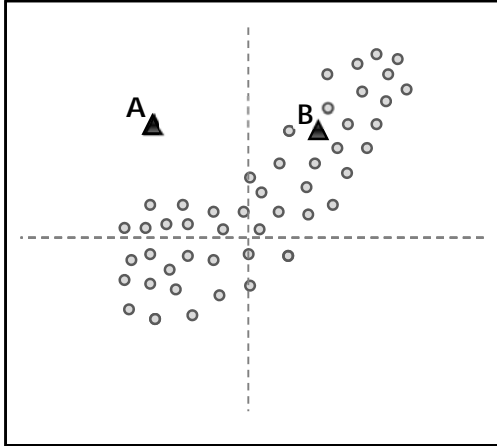
Question X Describe at least two specific tactics suitable for a company that pursues "market penetration" strategy (7 points)

Question X You are being hired by a company X in a category of active cosmetics. As a part of your orientation, a human resources manager is inviting you to attend a focus group conducted by her friend from the IT department. "The company is considering a launch of a new hair-loss prevention product" she says, "We already have developed the formula, so the hold-up is in the marketing department". She continues: "We didn't want a marketing person to conduct this focus group to prevent any bias, that is why the IT department is involved. You are a new person here, and we would really appreciate your opinion on what you will see here today." You both walk into a mid-size classroom with about 15 people facing a table with the moderator. You sneak to the back of the room, and sit next to a few of your new colleagues, who also came to observe the focus group. As you are looking at the backs of the men and women in the focus group, you start wondering: "Indeed, how big is the market opportunity for the anti hair-loss products?" After the focus group is over, the human resources manager asks for your feedback:

a) "Today we really tried to avoid all the biases or risks generally associated with conducting a focus group study. Do you think we managed?" Give at least *THREE* general problems characteristic of a focus group, and comment on how this focus group solved/not solved them.(6 points)

b) "From what you have seen today, how far is our marketing department from finalizing this project? What else do they need to do before we can see it on the market?" (4 points)

Question X Perceptual maps are very useful in marketing planning. Below is an example of one, where ▲ represent brands, and ● represent ideal points of consumer preferences.



a) Add labels and whatever else you need to the map to make it an example of perceptual map with two brands A and B that are 'vertically differentiated'. Explain. (6 points)

b) You now have to use 'vertical differentiation' to introduce brand C. Draw two such possible positions (C' and C'') and explain why each would represent 'vertical differentiation' from A and B. Choose C' or C'' as the most desirable and explain what was your criteria for such choice (6 points)

c) What type of data was collected to provide the ▲ dots? (4 points)

SAMPLE EXAM QUESTIONS

d) Statement: "It is very unlikely that the brands A, B and C are in a category of perfumes" True or False? Explain. (5 points)

Question X MEO is a new communications and entertainment service from Portugal Telecom (television + internet + telephone) based on a phone line. It was launched in July 2007 as *the* ground-breaking innovation for Portugal. Such status was claimed due to TV service, which is streamed via internet connection to a TV box, which in turn allows consumers to pause live TV, record programs from the channel guide, and rent movies. The ability to pause live TV and record your favorite programs (very much like TiVo service in the United States) was the actual innovation for the market of MEO. Other than that, this service provides benefits and features that are present on the market from other companies like Clix, TvCabo, etc.

- a) Apply the concept of Product Life Cycle to this introduction by PT. In what stage of PLC is MEO? (5 points)
- b) Based on your answer in (a), what should be the objectives for communication strategy for MEO? Explain. (5 points)
- c) How to determine market potential for this service? What data do you need for that? (6 points)
- d) Describe (if possible, in detail) how you would obtain a reliable sales forecast for this service in the Portuguese market? (8 points)

SAMPLE EXAM QUESTIONS

Question X (Please answer on a separate exam sheet)

Background information

Perrier is a brand of naturally carbonated mineral water from Vergèze in the South of France. Perrier Group Canada is considering changing its current marketing strategy in terms of pricing and advertising budget in the Canadian market. At the current retail price 1.50\$ per bottle Perrier earns a margin 50 cents per 1 litre bottle. Every 25 cents change in the retail price of Perrier gives a change of 12 cents in the margin per bottle. With a regular level of advertising for Perrier (300,000\$ per year), Perrier expects to sell 1.3 million bottles in the next 12 months. The company's expenditures on promotion, sales-force and other marketing expenses related to Perrier are about 250,000\$ per year.

Market Research Initiative

Perrier Group is uncertain about the price elasticity and the effectiveness of its advertising budget. So the company commissioned a marketing research firm (MRF) to conduct a market test in Oct-Nov 2011 to help assess the consumer sensitivity to price and advertising of Perrier.

MRF has selected 24 representative stores throughout Canada. Because of geography, MRF was able to create two naturally isolated test-markets, where consumers are exposed to the same local radio and outdoor advertising. The company varied the level of advertising between these two test markets – “normal” and “high”. Moreover, within each test market the company had stores with three levels of retail prices – “low”, “regular”, and “high” (1.25\$, 1.50\$ and 1.75\$). This way MRF created 6 experimental groups (2 advertising levels x 3 prices) with 4 stores in each group. MRF, based on its previous research experience, assured that “normal” advertising level in the test market corresponds to the current advertising budget of 300,000 at the national level. “High” advertising level is equivalent to 600,000\$ budget on the national level.

Table “EXPERIMENT RESULTS” Bottles sold, per-store average*

		Price		
		Low	Regular	High
Advertising	Normal	483	338	215
	High	494	451	425

*Sales numbers above had been adjusted to control for the size of the stores, so that direct comparison among stores is meaningful.

Hint: To extrapolate to annual national demand you need to combine the above data with your knowledge of Perrier's 12-month sales forecast under normal business practice conditions.

- 1) What is the annual break-even quantity of Perrier under current business practice? **(3 points)**
- 2) Using the additional information from the market test by MRF answer the following questions:
 - a) What would be the 12-month sales forecast and expected break-even, if Perrier decides to increase price to “high”? **(5 points)**
 - b) What should be the price of Perrier, if they keep advertising at the *normal* level? **(6 points)**
 - c) Results of the MRF experiment allow Perrier to see how advertising affects consumer sensitivity to price. Based on the experiment results, draw a graph that visually shows whether advertising increases or decreases price sensitivity. *Comment.* **(7 points)**
 - d) What is the optimal marketing mix for advertising and price for the next 12 months? **(8 points)**
- 3) The Marketing Director of Perrier believes that there is high loyalty in this market, which results in sales inertia from year to year, so that sales in one period affect sales in the next period). How does this belief affect the strategy you derived in d) above? **(6 points)**