

Final Examination

11058 Marketing Management

Annotations:

- The solutions have to be written down using the sheets of paper provided.
- Time: **120 minutes**
- The maximum amounts of points to be reached is **100**.

Name:																			
Given Name:																			
Matrikel-No.:																			

No annotations below this section

Tasks and points

1.	(10)	4.	(10)
2.	(20)	5.	(15)
3.	(20)	6.	(15)
		7.	(10)
Total	(50)	+	(50)

= (100)

Date:

Grade:

Signature:

CASE STUDY

HANSEN BATHROOMS

Hansen Bathrooms is a producer of baths, washbasins, toilets and bidets. The company has been in the bathroom market for over 50 years and while sales have never been spectacular, the company has managed to withstand the impact of several economic recessions by prudent cash flow management. Experts in the industry describe Hansen as a traditional, reliable producer that tends to follow market trends rather than lead.

As a response to changing times, Hansen recruited a 30-year-old marketing director, Rob Vincent, and a 25-year-old assistant, Susan Clements. Rob's responsibilities include making suggestions for new bathroom designs, advertising and promotion, and formulating pricing strategies, although the final decisions (except for day-to-day issues) are taken by the board of directors, which is headed by Karl Hansen, the son of the founder of the company.

Rob Vincent and Susan Clements have been in post for nearly two years and, at times, have found the work frustrating because of the board's tendency towards conservatism. However, an exciting development rekindled their enthusiasm. A technologist at the company had developed a special coating that could be applied to all bathroom items (baths, toilets, washbasins and tiles). The coating contained an agent that dispersed the usual grime and grease that accumulated in baths and washbasins, etc. Susan Clements commissioned a market research study which showed that people cleaned their bathroom fittings on average once every two weeks and it was one of the most unpopular household chores. The new coating made this unnecessary. Product trials with a prototype bathroom incorporating the new coating showed that cleaning could easily be extended to once every three months. Respondents in the test were delighted with the reduction in workload. Hansen sought and obtained a patent for the new coating.

Rob felt sure that the board would approve the launch of the new bathroom range using the new coating and was pondering what price to charge. As a starting point Rob set about using Hansen's tried and tested pricing formula. This produced the calculations shown in table 1.

Table 1: Rob Vincent's calculations

Per bathroom (washbasin, toilet and bath)

	£
Direct materials	40
Direct labour	40
Total direct cost	80
Fixed cost (150% of direct labour)	60
Total cost	140
Profit mark-up (20% of total cost)	28
Basic price to retailers (BPR)	168
Allowance for promotional costs (10% of BPR)	17

Allowance for retailer discounts (20% of BPR)	34
List price to retailers (LPR)	219
Retailer profit mark-up (100% of LPR)	219
Recommended price to consumers	438

Rob felt very pleased. The price to consumers of £438 was very competitive with the prices charged by other bathroom suppliers (for example, the main two other competitors charged £450 and £465). After the usual 25 per cent consumer discount, this would mean the Hansen bathroom would sell for £328 compared to £337 and £348 for its main rivals. "I wish all my marketing decisions were this easy," thought Rob. However, before making a final decision he thought he ought to consult Susan.

Case questions

1. If you were Susan, would you agree or disagree with Rob Vincent's proposal?

[10 points]

2. What other factors – in addition to costs - should be taken into account?
Describe them in this context!?

[20 points]

3. What alternative pricing strategies exist when launching new products? Describe them and suggest an appropriate strategy!

[20 points]

Lecture questions

4. Summarize the differences between product and marketing orientations in a few sentences!

[10 points]

5. Briefly explain the difference between a transactional and relationship approach to marketing!

[15 points]

6. What is the difference between product and market development in the Ansoff matrix? Give examples of each form of product growth strategy.

[15 points]

7. Evaluate the contribution of product portfolio planning models to product strategy! Please shortly describe the BCG as well as the GE model in this respect!

[10 points]