



EXAMINATION: MANAGEMENT III: MARKETING

(English Program) SS 2000

EXAMINER: PROF. DR. ERICHSON / Bremuch

You are allowed to use: a pocket calculator (in accordance with the instructions given by the examination office) and a translating dictionary from your native language to English (without any notes written in it).

All of the following twelve questions must be answered (The estimated time for each question is provided in parentheses). This examination has three pages.

Question 1 (8 Min.)

British Airways uses the slogan, "Putting people first."

- a) Explain this business philosophy in the context of the marketing concept as contrasted to the selling concept.
- b) What is segment marketing? Explain how it relates to the marketing concept's central theme.

Question 2 (10 Min.)

Prof. Michael Porter of Harvard University has identified five forces that determine the intrinsic long-run profit attractiveness of a market or market segment.

- a) Name and explain the five forces.
- b) Three of the forces allude to competitors. It has been said that, "marketing is merely a civilized form of warfare." Explain why in today's markets understanding your customers alone is no longer enough.

Question 3 (10 Min.)

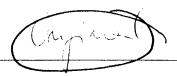
By the use of panel data, market share can be analyzed according to the Parfitt-Collins model.

- a) What are the three components of market share in the model?
- b) Which of the components determines success in the short run and which of the components is important for long run success?
- c) Explain how the elements of the marketing mix impact these components.

Question 4 (12 Min.)

As the president of a medium sized consumer goods company, you must decide whether a newly developed product should be launched on the market or not. A recently commissioned market study discovered that the average selling price of substitute products in the relevant market is 5.0 EUR. The total market volume is estimated to be 2.0 million units. The study concluded that the new product could capture a maximum of 4.0% market share (calculated using monetary values) with a price at launch of 4.0 EUR. The new product can be produced with a unit variable cost of 3.5 EUR and a fixed cost associated with its production of 70,000 EUR.

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- a) Calculate the sales volume in units that corresponds to the 4% market share.
- b) Perform a break-even analysis and show the results in a sketch. What is the break-even quantity? What would you decide conderning the introduction of the new product?

Question 5 (12 Min.)

A central concept of marketing is positioning.

- a) What is the idea of positioning strategy?
- b) What information do you get from a positioning analysis?
- c) Which instruments can a marketer use to influence its positioning?

Question 6 (8 Min.)

An often used method for determining an advertising budget is the percentage of sales method.

- a) Explain this method by use of the formula.
- b) Name the advantages and disadvantages for using this method.

Question 7 (6 Min.)

A useful concept in Marketing is the relevant market.

- a) What criterion is used to determine which products to include in a company's relevant market?
- b) How does a company determine its competitors in the relevant market?

Question 8 (8 Min.)

Market research is conducted using primary as well as secondary data sources.

- a) Explain the difference between primary and secondary research.
- b) What are the advantages and disadvantages of each type of research?

Question 9 (12 Min.)

The following model can be used to estimate sales in time period t (St)

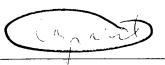
$$S_{t} = \underbrace{\left(M - Y_{t-1}\right) \cdot p}_{term \ 1} + \underbrace{\left[\left(M - Y_{t-1}\right) \cdot \frac{Y_{t-1}}{M}\right] \cdot q}_{term \ 2}$$

- a) What is the name of this model and why do we use it?
- b) What is the interpretation of term 1 and term 2 ($S_t = (\text{term 1}) + (\text{term 2})$)?
- c) This model can be statistically estimated in the form:

$$S_t = \alpha + \beta_1 Y_{t-1} + \beta_2 Y_{t-1}^2$$

What are α , β_1 and β_2 equal to as functions of M, p and q?

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Question 10 (14 Min.)

A well-known product i has the following price response and cost functions

$$X_i = 2500 - 100p_i + 5p_j + 2W_i$$

$$C_i = 500 + 5X_i + W_i$$

where: X_i = quantity of product i sold

 p_i = unit price of product i

 p_i = unit price of product j

 W_i = advertising expenditure used to promote the sale of product i

 $C_i = cost of product i$

given: $p_i = 10 \text{ and } W_i = 100$

- a) Calculate the profit maximizing price for product i.
- b) Calculate the profit maximizing price elasticity for product i (ε_i) .
- c) Calculate the cross price elasticity (ϵ_{ij}) and state whether the products are substitutes or complements.

Question 11 (10 Min.)

Market segmentation strives to "divide a heterogeneous total market into relatively homogeneous groups of prospective buyers."

- a) Name some of the criteria used to segment markets and explain the advantages and disadvantages of each.
- b) Define "lifestyle" amd explain its significance to marketing.

Question 12 (10 Min.)

Competitive advantage is at the heart of any strategy and Professor Porter warns, "Being all things to all people is a recipe for strategic mediocrity \rightarrow don't get stuck in the middle."

- a) Explain the three generic strategies outlined by Professor Porter.
- b) Compare Mercedes-Benz (Germany) and Hyundai (South Korea). Which strategies did these companies follow?

Good Luck!