

**Examination: 11058**

**Marketing Management**

**Summer Semester 2013**

**Dr. John E. Brennan**

You are allowed to use a non-programmable 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 into it). All of the twelve (12) examination questions must be answered. This examination consists of Three (3) pages and must be completed within 120 minutes.

**Question 1**

The concept of Market Segmentation attempts to divide a large heterogeneous total market into groups of relatively "homogeneous" potential buyers called market segments.

- (a) What do we mean by relatively "homogeneous" market segments in the sentence above? These segments display homogeneity in what sense?
- (b) What is meant by the term "lifestyle" and explain why it has significance to marketers who are engaging in market segmentation?

**Question 2**

All companies are constrained in their ability to set price.

- (a) Explain what is meant by the terms "price ceiling" and "price floor."
- (b) Explain why a firm operating in a "Monopolistic Competitive" industry has a greater ability to set price than a firm in a "Competitive" industry.

**Question 3**

Communication theory offers a convenient way to think about a major advertising campaign.

- (a) Outline Lasswell's basic communication model and explain its relevance to business communication policies.
- (b) Explain "two-step communication" and give an example.

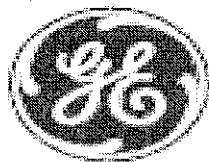
**Question 4**

All diffusion models have a similar structure:

$$S(t) = g(t) [N^* - N(t)].$$

- (a) How are diffusion models used in marketing?
- (b) A very popular diffusion model used in marketing planning is the Bass Model. Explain the workings of the Bass Model.

**Please turn to page 2**

**Question 5**

imagination at work

The General Electric Company's Internet Site says, "Worldwide the people of General Electric are dedicated to turning imaginative ideas into leading products that will help solve some of the world's toughest problems." Naturally, GE's performance is measured by its financial results and its stock price. Overall corporate performance, however, is viewed in a much broader context: the health, safety and opportunities of workers, the impact of GE's operations on the environment and communities, and its interaction with governments around the world – "Our goal is to grow responsibly."

- (a) Explain GE's statement of business philosophy in the context of Relationship Marketing.
- (b) What is the difference in focus between a company that follows the "Selling Concept" and one that follows the "Marketing Concept"? What can you say about GE?

**Question 6**

Decisions concerning the Channel of Distribution are important for Marketing Management.

- (a) Explain the advantages and disadvantages of using Direct Marketing as apposed to using marketing intermediaries.
- (b) Explain the concept of Channel Levels. Name some of the factors that one must consider when designing a channel of distribution. What are the advantages of increasing channel levels, and what are the disadvantages.

**Question 7**

An American company with headquarters in Chicago is considering the launch of a new product this summer in Germany. A well-known marketing research firm has collected the following information. The marketing research firm projects that at a price of € 21.60, 150,000 units could be sold in the first year. The company had previously expected a higher level of sales and based on the findings of the market research firm they are now a bit concerned about the prospects for this new product. A sales agent in Magdeburg has offered to handle this product for a fixed cost of € 1,000 per month and a sales commission of 15%. The company estimates the cost of establishing an office somewhere in Germany to be around € 240,000 per year. The sales person in this office would earn a monthly sales commission of 5% on all sales exceeding the € 5,000 level.

- (a) In the problem above, should the company use the sales agent or not?
- (b) What are the factors that must be considered when deciding whether to use a sales agent?

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**Question 8**

The “Percentage of Sales Revenue” is a commonly used method for determining advertising budgets.

- (a) In terms of marketing management decision-making, what are the advantages of using this method?
- (b) Does this method have any disadvantages?

**Question 9**

Understanding the behavior of consumers is never a simple task. Consumer Behavior, however, attempts to explain how consumers make their consumption decisions.

- (a) Using the “Marlboro Country” advertisements as an example, explain Classical Conditioning. What is the Unconditioned Stimulus?
- (b) What is Cognitive Dissonance and how is it related to Marketing.

**Question 10**

- (a) The Marketing Planning process begins with a situation analysis. Explain how to conduct a SWOT analysis.
- (b) Professor Porter has said, “Competitive advantage is at the heart of any strategy.” Explain the two generic strategies he outlined and what was his “warning” to companies?

**Question 11**

An important tool in marketing planning is market share analysis.

- (a) Using scanner data, the Parfitt / Collins Model decomposes market share into three main components (in the model these components from left to right are: A, B, and C). What is the name given to each of these three components and how are they calculated?
- (b) Consider a brand that has  $B = 38\%$ . If you were the marketing manager responsible for this brand, what would you recommend?

**Question 12**

Determining the “best” price is an important task for all marketers.

- (a) Explain the concept of Elasticity of Demand.
- (b) Explain how the concept of Cross Elasticity of Demand is useful to marketers.

**This is the end of the examination  
GOOD LUCK!**

