



RENSSELAER POLYTECHNIC INSTITUTE

Lally School of Management and Technology

Marketing Principles Exam

MGMT 4430

SAMPLE EXAM - MIDTERM

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- This exam is individual: communication with your classmates is not allowed.
 - This is a closed book, closed notes exam.
 - You are allowed to use a calculator.
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This exam consists of 34 questions that are worth 100 points. Each question has a different weight that is indicated next to the question. Accordingly, the questions vary in difficulty and time required to answer them. Give *specific* answers (you do not have to use all the dotted lines, but if for some reason you do not have sufficient space, continue on the back of the page). You can answer with bullet points and incomplete sentences, as long as your answer is clear. **Please write very clearly. When I cannot read, I cannot grade.** Good luck!

Name: _____

Signature: _____

Part 1. Three short answer questions [30 pts]
I. (10 pts)

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II. (10 pts) Knowing that you took a marketing course from a prestigious school, your boss asks you to explain to him/her in 2-3 sentences what segmentation is.

Market segmentation involves grouping potential customers into clusters that have common needs and will react to a given market stimulation in a similar fashion. This process facilitates the development of market differentiation, because it shows companies different target markets that they can market a given product to.

III. (10 pts) Why are customers more profitable over time? Please provide at least 4 reasons. Be specific.

Customers become more profitable over time because happy customers give positive reviews about the company to their friends. Friend referrals help generate new customers without the expense of advertising. Furthermore, repeat customers become loyal to the brand. Customer loyalty is beneficial, because it means the customer will continue to purchase the product, even in the face of competition.

Loyal customers adhere to the brand itself as opposed to price alone. Therefore, companies can charge a price premium on the product, and not lose the customer. In addition, the firm can take on cost savings if their loyal customer base is big enough by cutting back on expenses like advertising.

Part 2. Multiple-choice questions (circle one) [60 pts]

IV. (2 pts) A marketing manager's controllable factors—product, price, promotion, and place—are the company's:

- a. environmental factors
- b. marketing program
- c. marketing mix
- d. marketing concept
- e. four utilities

V. (2 pts) The ability to buy a soda from a vending machine demonstrates which element of the 4Ps of marketing?

- a. product
- b. price
- c. promotion
- d. place
- e. process

VI. (2 pts) Which of the following statements describes an environmental factor?

- a. Several states have legislation requiring children under four to use car seats.
- b. A car battery comes with a lifetime guarantee.
- c. An automobile offers a \$500.00 rebate.
- d. Tupperware has more than 200,000 independent contractor dealers who market its entire product line.
- e. A major bottler offers a 10-cent refund on returnable bottles.

VII. (2 pts) Organizational buyers are most accurately described as:

- a. buyers of high cost items.
- b. buyers of household items.
- c. manufacturers, retailers, or government agencies that buy goods and services for their own use or for resale.
- d. any individual or group making a purchase worth over \$100,000.
- e. any man, woman, or child who uses goods purchased for a household.

X. (2 pts) The goal of a SWOT analysis is to:

- a. form the foundation on which the firm builds its marketing program.
- b. keep top management placated.
- c. discover areas for diversified investment outside the firm's marketing areas.
- d. develop new products for new market segments.
- e. allocate financial resources across target markets.

XII. (2 pts) The Boston Consulting Group (BCG) uses an approach to _____ that analyzes a firm's business units (called strategic business units or SBUs) as though they were a collection of separate investments.

- a. target marketing
- b. business portfolio analysis
- c. marketing strategic planning
- d. market segmentation
- e. stock market investment

XIII. (2 pts) H. Upmann is a renowned maker of fine cigars, offers a wide variety of cigars. Their product line consists of Robustos, Coronas, Directors Royales, Lonsdales, and the Upmann 2000, to name a few. These cigars are of different sizes, colors, and even prices. Considering the planning phase of the strategic marketing process, why does H. Upmann offer so many different cigars?

- a. The cigar maker is probably segmenting the cigar market according to different smokers' preferences in cigars.
- b. The cigar maker is probably responding to the competition: if the competition makes a variety of cigars, H. Upmann needs to make a variety as well.
- c. The cigar maker has probably created distinct strategic business units for each type of cigar to simplify the strategic planning process.
- d. The preferences of cigar smokers are similar. H. Upmann probably hopes to penetrate the cigar market by making a variety of cigars that will appeal to non-smokers.
- e. The cigar maker probably hopes to create a competitive advantage in the cigar market by offering a variety of cigars, thereby discouraging new competitors from entering the market.

XIV. (2 pts) A marketing manager for United Way reads in a business journal that despite the Internet and television, Americans are actively engaged in their communities. Fifty-four percent have performed volunteer work and 78 percent have donated money to charities. She asks research and development personnel to identify possible new ad campaigns that will encourage this high level of community-connectedness to continue. This ad campaign change is the result of the managerial activity called:

- a. ecological/technological forecasting.
- b. environmental scanning.
- c. macroeconomic analysis.
- d. strategic planning.
- e. futuristic marketing.

XV. (2 pts) An ad on the back of a women's magazine for Cover Girl cosmetics shows Queen Latifah (an African American) and Faith Hill (a Caucasian) endorsing its products as good for their skin. This is an example of an ad with a _____ focus, because it shows product users of different ethnic backgrounds.

- a. cultural
- b. behavioral
- c. occupational
- d. demographic
- e. psychographic

XVIII. (2 pts) The purchase of a bottle of water is a low-involvement purchase. How can a marketer convince people to buy Dasani instead of one of the numerous other brands displayed on retailers' shelves?

- a. Make good use of Dasani stock-outs.
- b. Make the purchase decision high involvement.
- c. Offer coupons for Dasani bottled water.
- d. Convince retailers to only offer Dasani water.
- e. Do any or all of the above

XIX. (2 pts) Which problem solving variation would normally be used to purchase such items as toothpaste, soda, or chewing gum?

- a. Routine problem solving
- b. Limited problem solving
- c. Extended problem solving
- d. Simulated selection
- e. Integrated problem solving

XX. (2 pts) Which of the following lists the hierarchy of needs in its correct order, beginning with the most basic?

- a. Personal, social, physiological, psychological, and safety
- b. Physiological, safety, social, personal, and self-actualization
- c. Safety, physiological, social, and self-actualization, and personal
- d. Self-actualization, social, personal, safety, and physiological
- e. Safety, personal, self-actualization, physiological, and social

XXI. (2 pts) Because the average consumer operates in a complex information-rich environment, the human brain attempts to organize and interpret information with a process called:

- a. selective retention.
- b. selective attention.
- c. selective exposure.
- d. selective perception.
- e. selective discrimination.

XXII. (2 pts) Which of the following groups of factors is not a major influence on consumer behavior?

- a. psychological factors
- b. 4Ps of marketing
- c. situational factors
- d. sociocultural factors
- e. all are major influences

XXIII. (2 pts) Which is the first step in conducting marketing research?

- a. identify the data needed
- b. define the problem
- c. develop the research plan
- d. design data collection
- e. specify constraints

XXV. (2 pts) A perceptual map of brands in a market cannot be used...

- a. to develop a new brand's positioning
- b. to reposition an existing brand
- c. to identify competitive clusters in the market
- d. to identify business opportunities
- e. to infer consumers' brand awareness

XXVI. (2 pts) Unlike other research methods, experimental research is particularly useful for which of the following?

- a. establishing association between two variables
- b. establishing causality between two variables
- c. measuring a marketing variable
- d. exploring/understanding a marketing phenomenon
- e. none of the above

XXVIII. (2 pts) Focus groups are used in marketing research...

- a. to generate insights into consumers' thoughts and feelings
- b. to better understand product usage
- c. to develop advertising messages and materials
- d. for new product development
- e. all of the above

Part 3. One computational question [10 pts]
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XXXIV. (10 pts) FedEx lost WPN Communications account to UPS 4 years after acquiring it for \$6,250. Now FedEx is wondering if it actually made any money on WPN. FedEx estimates that WPN Communications' order frequency and size were fairly similar to the other firms in its industry. For your reference, 106 firms in that industry use a total of 1,840 Courier Packs (CP) per month; CP price is \$13.50; variable cost is \$4.75; the average retention rate = 90%, and FedEx' discount rate = 12%. The lifetime value (LV) of customer formula, if you choose to use it, is as follows: $LV = m \cdot (1+d) / (1+d - r) - AC$. Show all calculations.

Marginal cost (m) = \$13.50 - \$4.75 = \$8.75

d = 12%

r = 90%

$LV = \$8.75 \cdot [(1.12) / (0.22)] - AC$

$$LV = \$8.75 * 5.09 - AC$$

$$LV = \$44.56 - AC$$

The life value of one customer is \$44.56 minus acquisition costs. The problem states that WPN was fairly similar in size and competency to its 106 competitors. If the aggregate total of courier packs (CP) is 1,840 per month, then WPN must average 17 CP per month (1,840/106).

$$17 * 12 * 4 = 833 \text{ CP over four years.}$$

$$LV = (833 * \$44.56) - AC$$

$$LV = \$37,118.48 - \$6,250$$

$$LV = \$30,868.48$$

The value of WPN was \$30,868.48. FedEx made profit on WPN.