

Sample Proficiency Exam
Marketing Concepts and Strategies – B01.2310
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Here are some examples of the kinds of questions you should expect on the Marketing proficiency exam. Many topics are covered in the core Marketing course and this sample exam is not intended to cover every topic that might appear on the proficiency exam. This exam is a bit longer than the actual proficiency exam would be, to give you some additional practice.

1) You are both Director of Marketing and the most senior salesperson for Uniweave, a large producer of carpet weaving machines sold in Asia and Eastern Europe. You have just been contacted by Dolan Terdem, Vice President of Marketing for Carpets of Istanbul (COI). She has told you that COI is considering the purchase of several large carpet weaving machines, and asked you to visit COI and make an initial presentation about Uniweave machines. Your research on COI tells you that it has been in business for over 100 years. Presently it makes only expensive, hand-woven Turkish carpets in traditional Turkish styles, and sells these to fine carpet stores throughout Asia and Europe. People buy these carpets for their homes and businesses. You have heard that COI is considering expanding its market by offering less expensive, machine-woven carpets, many in non-traditional styles. You also discover that COI was founded in 1875, and has always been owned by the members of the Terdem family. At present, six members of that family, ranging from 25 to 93 years old, control the firm.

a) Describe the strategy you would use in your contacts with COI to help convert them to Uniweave customers. This strategy should address the major, distinct issues that are important in this potential purchasing situation. Discuss what these distinct issues are, and then, for each issue, give an example of a specific action you would use to address that issue. (60 pts.)

b) Next, assume you are a consumer who is considering purchasing a fine carpet for your home and has included COI carpets in your consideration set. Discuss four kinds of perceived risk that you might experience, and describe how each would affect you as a prospective carpet purchaser. For each kind of perceived risk, propose a marketing action that COI might take to lower that kind of perceived risk. (40 pts.)

2) Ink & Paper, a small independent bookseller with five bookstores in the Washington, D.C. metropolitan area, was founded in 1948. It is owned by three generations of the Page family. They all love books and have a very broad and expert knowledge of literature, even if they do not always agree on the best way to operate this business.

To reverse a declining sales trend since 1995, the Pages feel they must abandon the mass-market approach the chain has used for over 50 years, and redesign its bookstores and product offerings to appeal to a specific target segment. I&P has commissioned a market research firm, Beltway Research, to undertake a benefit segmentation study of book consumers in the D.C. metropolitan area.

BR surveyed 1000 consumers by mail. One part of the survey asked consumers to rate how important each of the following bookstore attributes is to them, using a scale where 1 = not at all important and 10 = very important. BR has taken the results of this survey and used cluster analysis to form three benefit segments: I, II, and III. The mean response of consumers in each of these segments is:

	<u>I</u>	<u>II</u>	<u>III</u>
Attractive stores	4.6	4.5	7.2
Can quickly special order books not in stock	3.5	7.9	4.8
Events where authors read from their books and poetry	2.6	7.2	7.8
Low prices	8.2	3.3	5.7
Staff knowledgeable about books	5.7	8.5	5.2
Lots of books on sale	8.4	4.3	4.8
Lots of chairs and tables to read in	5.2	6.7	8.3
Good selection of classic fiction	4.6	7.4	5.7
Free gift wrapping	7.5	2.8	6.1
A good coffee and snack bar	4.7	2.6	8.1

Differences in means between segments larger than .5 are statistically significant at the .05 level.

a) Using these study results, identify the benefit segments in the Washington, D.C. bookstore market. Explain the process you used to arrive at your recommendations, so that the Page family will place confidence in your proposal. (40 pts.)

b) Recommend which segment you believe Ink & Paper should regard as its target segment, and, again, explain the process you used to arrive at this recommendation. (20 pts.)

c) I&P now needs to communicate with consumers in the chosen target segment. BR could have carried out research to identify demographic instead of benefit segments. Describe and justify to the Pages the most important *advantage* of using demographic instead of benefit segmentation, with respect to designing a communications strategy (20 pts.).

d) Next, describe and justify the most important *disadvantage* of using demographic instead of benefit segmentation, with respect to communication strategy. (20 pts.)

3) Les Chateaux Magnifiques is a consortium of French wine producers. For years LCM has successfully sold excellent but expensive red wines in many countries, including the United States. However, LCM is concerned that it is not selling enough wine to younger, affluent wine drinkers in the United States, many of whom prefer wines with more interesting and unusual flavors. LCM has initiated a new product development process with the objective of creating a wine that appeals to this segment. One idea which survived the idea screening stage is a new red wine with a fruity and spicy flavor, which will go well with the many spicy foods favored by these younger U.S. wine consumers.

a) This idea must next be tested in the Concept Testing stage. Describe the activities that occur at this stage and their objectives, using the idea for a fruity and spicy red wine as an example. (20 pts.)

Suppose this idea makes it through Concept Testing and subsequent stages of the new product development process, and is tested in a twelve month, full scale test market under the brand name "Vintner's Edge" (VE). Here are the goals that LCM set for that test market, along with the actual test market results:

	<u>LCM's goal</u>	Actual <u>FSTM result</u>
Awareness rate	70%	68%
Trial rate if aware	40%	20%
Repeat rate for triers	30%	32%
Average usage rate for repeaters	6 bottles/yr.	4

LCM also knows that the target segment for Vintner's Edge is 20 million people aged 21-35 in the United States who buy bottled wine. This segment buys an average of 10 bottles per year, and last year their total purchases of wine in bottles had a retail value of \$2 billion. VE will sell to retailers for \$12, who will sell it to final customers for \$15 a bottle.

b) Estimate the market share, both in (i) share of bottles and (ii) share of retail dollar sales, that Vintner's Edge would have in this segment if it met LCM's test market goals. Then repeat these estimates for the actual test market results. Assume that introducing VE will not expand the total amount of wine this segment buys. (60 pts.)

c) Based on the test market results, propose any changes that you feel LCM needs to make in the marketing strategy for Vintner's Edge, and explain why these changes are justified. You may make reasonable assumptions about the kinds of marketing activities LCM is likely to use in the test market, based on your reading and our class discussion. (20 pts.)

4) The Thames Taxi Company manufactures products especially for London taxis. These products are sold by a ten-person Thames salesforce to retail stores and garages that sell taxi equipment. They are also advertised in several magazines published especially for London taxi drivers. Recently Thames developed “LowFric,” a new motor oil that reduces friction. LowFric promises to give taxis (i) higher petrol (gasoline) mileage and (ii) more distance between oil changes, compared to conventional oil. However, Thames is not sure what price to charge for LowFric or what marketing strategy to use to introduce it.

Almost all 12,000 London cabbies own their cabs and have them maintained at one of 35 London garages specializing in taxi cabs. Many of these garages buy oil directly from Thames and pay it £1 per litre for standard oil. The garages take a 100% markup on their cost when they charge cab drivers for oil changes. Thames anticipates these garages would also want to take a 100% markup on their cost for LowFric oil. Taxi garages do not sell petrol to taxi drivers. London taxi drivers drive their cabs an average of 100,000 km per year.

In a test, Thames gave LowFric to 10 London taxi-drivers and its standard oil to 10 others. The test results were:

	<i>Standard oil</i>	<i>LowFric</i>
Distance between oil changes @ 5 litres/change	10,000km	40,000km
Petrol mileage @ 50p (=£1/2) per litre	9 km/litre	10 km/litre

a) Propose a marketing strategy that Thames can use for LowFric oil if it uses a value-based pricing strategy. Include recommendations for the pricing, salesforce, and communications elements of the marketing mix that are needed to make a value-based pricing strategy effective. Justify your reasoning and show all calculations. For simplicity, in your value-based calculations, use a one-year time horizon that covers 100,000 km., and don't worry about discounting over this period. Please keep all monetary calculations in terms of £. (85 pts.)

Continue Question 4a here – you probably won't need the whole page.

b) Suppose instead that garages that change oil for taxis also sell taxi drivers most of their petrol. Discuss and justify any changes Thames would need to make to the marketing strategy you proposed in (a) (15 pts - you should only need one or two paragraphs)

5) Big Apple Electrical (BAE) is the largest firm that replaces dangerous, old wiring with new, safer wiring in houses and apartments in New York City and its suburbs. BAE had \$5 million in sales in 2001. BAE wants to begin to advertise to increase its business, and so is planning a magazine advertising campaign to run during 2003. The target segment for this campaign is consumers between 31 and 45 years old who own their residence.

BAE's advertising agency has suggested the following full-page magazine ad. One side of this ad shows a family living in a residence that BAE just rewired. They are generally enjoying a high-tech life, using many electricity-hungry appliances, their air conditioner, a large-screen TV, and several computers at the same time. The other side shows a family who, the ad explains, just had their residence rewired by Volts, a much smaller competitor to BAE who only started in business last year. This family goes to turn on their appliances, but all of the fuses blow because the new wiring is faulty. In fact, one of the children has just received a nasty electric shock from a personal computer plugged into a faulty electrical outlet, so the entire family has to rush out the door to the hospital emergency room just as, unseen by them, the refrigerator catches fire because of bad wiring. The ad explains that while they are all gone their entire home burns down.

a) BAE's advertising agency has obtained the following information on three regional magazines that seem most appropriate for BAE's advertising:

<u>Magazine</u>	<u># Readers</u>	<u>Cost for 1 page ad</u>	<u>% readers age:</u>		
			<u>18-30</u>	<u>31-45</u>	<u>46+</u>
New York Home	1,200,000	\$10,000	25	30	45
Old House	600,000	7,500	15	60	25
Better Housing	900,000	6,000	45	15	40

Furthermore, BAE has allocated a budget of \$105,000 for this advertising campaign. If you made media allocation decisions for BAE, how would you allocate this budget? Show all calculations, and justify your decisions. You do not need to spend every single dollar in the budget. You may make any reasonable assumptions, but state them. Assume that the readership of the magazines does not overlap. Use the next page if you need more space. (40 pts.)

b) Some of the executives at BAE are worried that this ad uses two different message strategies in an ineffective manner. Discuss two message strategies this ad uses which you feel are used ineffectively, and discuss why each is used ineffectively. Then discuss briefly how you would rectify each problem while still keeping an ad message that emphasizes that BAE does higher quality rewiring than its competitors. (30 pts.)

Now that BAE will be advertising, it also wants to evaluate the effectiveness of its advertising. However, there is a controversy at BAE over how to address this question. Some in the firm want to use the "hierarchy of effects" approach to evaluate advertising effectiveness, while others want to use a sales/advertising model.

c) We have discussed several objectives that the sales/advertising approach can achieve in evaluating advertising effectiveness which the hierarchy of effects approach cannot achieve. Discuss two of these, and use the planned BAE ad campaign as an illustration in this discussion. (30 pts.)