

SAMPLE ANSWERS TO SAMPLE FINAL

Part I: Multiple Choice

1 C	11 B	21 E
2 A	12 A	22 D
3 B	13 B	23 C
4 B	14 B	24 C
5 E	15 B	25 A
6 B	16 E	26 B
7 B	17 B	27 A
8 A	18 B	28 A
9 D	19 E	29 D
10 B	20 E	30 B

Part II: Short answer. Using the space provided on the exam, please answer any two of the following three questions.

1. Avenging Ammo currently has several product lines. There is still a fair demand for conventional shells and bullets, but the market there is not growing much. In contrast, the market for laser aided munitions is growing rapidly. Avenging Ammo has a large share of both markets. The CEO has asked you to consult on what the Boston Consulting Group (BCG) model would suggest in terms of strategy.

For Avenging Ammo, conventional shells and bullets are a "cash" cow that generates a great deal of cash without much of an opportunity to reinvest. Laser Aided Munitions, in contrast, is a "star" that needs more cash than it generates. Therefore, AA should use cash generated from conventional shells and bullets to support the growth of laser aided munitions.

2. Please discuss the diffusion of credit cards in the United States, emphasizing important issues.

Credit cards had trouble starting to spread because of the "chicken-and-egg" problem: Consumers were not interested in carrying the cards when merchants did not accept them, and merchants were not interested in a card that few consumers carried. Therefore, it was necessary to "jump start" the diffusion process. The banks offered large firms special favorable terms for signing up for the cards early on. When retailers, hotels, and restaurants saw that employees of these firms would now have the cards to use, they were much more willing to sign up to accept the cards.

3. According to the instructor, marketing decisions should be made incrementally, or “on the margin.” What does this mean and why is this the case?

What is important for marketing decisions is the effect of only what the firm is considering changing and not the average effect of what the firm would do. From economics, we know that a firm should produce, in economic terms, until marginal revenue equals marginal cost. Similarly, a firm that is considering increasing its advertising budget should not consider the average return on advertising investment but should look at how much effect there will be from spending this *additional* amount of advertising. (On the average, the firm’s advertising spending can be highly effective, but spending more may not yield much more consumer response).

4. According to the text, what are some sources of channel conflict?

- Attempts by one member of the channel to bypass another.
- Disagreements over the distribution of profit margins among channel members.
- Belief that a channel member is not giving enough attention to a product.
- Increased distribution coverage in an area, including several retailers carrying the same brand in a given area.

5. How does the marketing concept differ from the sales concept, and what is the significance of these differences?

The marketing concept involves identifying and serving actual customer needs, regardless of whether this can be done with the firm’s existing products and services. The selling concept emphasizes using aggressive promotions and selling methods to sell the firm’s current line of products, regardless of whether these will actually serve customers’ needs. [Note: This is worth remembering—especially if you are applying at IBM, where this question was asked in a job interview!]