

FEEDBACK ON 3rd EXAM

GENERAL FEEDBACK

Let me make a point that I have made in class and one that I also made on the syllabus. I suspect that some of you have trouble understanding some of the study guide questions, as well as trouble understanding some of the material. I realize that if you have a **lot** of trouble with this, it is difficult to know where to even start asking questions and even difficult to determine what questions to ask. However, one of the purposes of the study guide questions is to give you a focus to determine what to ask, meaning that you can ask questions about specific study guide questions. I have had very few students ask such questions, either in class or outside of class. It never is too late to ask such questions and I hope that more of you **ask questions** of me, either in or out of class, and or the tutor. At the same time, in order to ask questions, it is really helpful to get an early start on the study guide questions. I even have had very few questions asked in the class immediately prior to each exam. One possible explanation for this is that many of you have not gotten that far into the study guide even two days prior to an exam.

With the exception of the first question, most of the rest of the questions from the notes (Q2, Q3, Q4, and Q5) were directly from the study guide and are directly discussed in the notes. Rather than just repeating what you already have in your notes, I usually give you just page and topic references. Remember that my page references are based on the notes on MS Word format, while your notes are in PDF format. Thus, some of the references may be a page off or so. However, I think you should be able to find the relevant material relatively quickly and easily. You will need to go back to the notes to get the details.

QUESTION-BY-QUESTION FEEDBACK

This feedback is provided on each and every question that I asked, so many of the questions are ones that were not on your specific exam. I suggest reading this with your exam in front of you and searching through the questions until you find those that were on your exam. Then, compare your answer to the feedback I provide.

Question 1 FEEDBACK

Overall, I think this was the most challenging question on the exam, largely because it was based more on in-class lecture than on the lecture notes.

Explain when and why the weight of the below evaluative criterion should be higher when evaluating some new product concepts than when evaluating other new product concepts, making sure to use the relevant one of the two characteristics used to select weights as part of your explanation. **(Hint: You need to integrate material from the end of the product notes that evaluates concept testing into your answer.)** (4 points)

➤ Results of concept testing

Explain when and why the weight of the below evaluative criterion should be higher when evaluating some new product concepts than when evaluating other new product concepts,

making sure to use the relevant one of the two characteristics used to select weights as part of your explanation, realizing that the relevant one of the two characteristics is different here than in the first part of the question. (4 points)

➤ Potential to have lower variable costs than competition

The starting point here is knowing the two characteristics used to select the evaluative criteria and their weights. I truly thought that almost all of you would know these two characteristics since I told you that there definitely would be a question on selecting the criteria and their weights. Thus, I was surprised that more than a few of you had no idea of what these two characteristics are. I will integrate a discussion of the two characteristics into the answer to the question below.

The characteristic relevant to variable weights with concept testing is the one pertaining to the degree of **accuracy** of the ratings of new product concepts on an evaluative criterion **prior to prototype** development. As discussed in the notes, concept testing can provide accurate results with **some** types of products but provide very inaccurate results with other types of products (Read the detailed discussion of concept testing toward the end of the product notes for more detail here and you needed to provide more detail in your answer.) The importance weight should be higher with a new product concept with which the results of concept testing are likely to be accurate than with a new product concept with which the results are likely to be inaccurate.

The relevant characteristic used to explain why the importance weight should be variable with the lower variable costs criterion is the one involving the degree to which an evaluative criterion is **correlated** with (or a good predictor of) **success/failure** of a new product concept. As discussed in the notes, this criterion is a key predictor of success/failure with a new product concept that is being **positioned on price** but is not as good a predictor with a new product concept that is being positioned on **quality**. You then would need to go on to explain why this criterion is so important when positioning on price and why it is not important when positioning on quality.

How high a weight should the below evaluative criterion have when using the weighted averaging indirect evaluation approach to evaluate a new product concept in an **established** product category? Explain your reasoning based on an evaluation of the criterion on the two relevant characteristics. Also, discuss whether the below criterion should be used in an **early** screen of new product concepts and explain the reasoning for your answer. (6 points for the combined parts of this question)

➤ Degree to which a relevant market segment or segments is (are) dissatisfied with existing competition

Explain why it is more relevant to consider changing the importance weight of an evaluative criteria or criteria during the last stage of the weighted averaging indirect evaluation approach than it is to consider changing the rating of a new product concept on an evaluative criterion. (2 points)

As with the prior question, the starting point is knowing the two characteristics used to select the weights of the evaluative criterion. As I said before, I was surprised that a number of you did not have a clue what either characteristic is. Again, I will integrate them into the basic answer.

The first characteristic is that the importance weight of an evaluative criterion should depend on the degree to which a criterion is a good predictor of success/failure of a new product concept. The degree of satisfaction with existing competition is a very good predictor of success/failure as I discussed in lecture and which was also stressed over and over again in the notes for the second exam on positioning. Having a rather large percentage of customers in a market segment who are less than moderately satisfied with all existing competitors is a **necessary** condition for success (which means it also is a **sufficient** reason for failure if most in the segment are moderately or highly satisfied with existing competition). The reason is that you always need to be able to outdo existing competition to succeed with a new product and outdoing existing competition is virtually impossible if most of the people in the relevant segment are highly or even moderately satisfied with existing competition.

The second characteristic is the degree of accuracy with which you can rate a new product concept on an evaluative criterion **prior to prototype development**. The degree of accuracy with this criterion is very high because it is based on **survey research** results, which would be very accurate, rather than based on opinion, judgment, or predicting the future.

Thus, this evaluative criterion should have a very high weight, as I indicated in lecture, since it does an excellent job of meeting both relevant characteristics.

It should not be used as an early stage criterion even though it is a **fatal flaw** criterion, which is **one** of the two things that should exist with an early stage criterion. However, since we want early stage screening to be quick and dirty, we do not want to use criteria that involve **primary data**. This was something that I said in class that is not in the notes. This relevant criterion does involve primary survey data.

In terms of the last part of the question, changing the weights is considered because changing the weights have a bigger impact on the results than changing the ratings. As I said in the notes (see 2 on page 25) whenever we increase the weight of one criterion, we must also reduce the weight of one or more criteria by the same amount since the weights sum to 1.0.

With each of the three below evaluative criteria, discuss whether it would be appropriate to use it as an **early stage** criterion as part of a multi-stage screening approach in some situations. Fully explain your reasoning with each of the three criteria. If a criterion should be used as an early stage criterion in only some situations, explain when and why it should be used. (8 points)

- Degree to which a relevant market segment or segments is (are) dissatisfied with existing competition

- Probability of getting an effective patent
- Probability of obtaining needed levels of **distributor** support

The starting point here was knowing the two characteristics used to select **early stage** criteria. The challenge in knowing these two characteristics is that they were presented in class but were not in the notes. To try to increase the chances that you would know these two characteristics, I presented them in at least two different classes. The first of these two characteristics is that an early stage criterion should be a **fatal flaw** criterion, meaning that a low rating on the criterion results in virtually a **certain failure**. We want this to be the case because the whole idea of early screening is to **quickly** eliminate certain failures and a fatal flaw criterion allows us to quickly eliminate these failures using only one criterion. The first two of the three criteria are both fatal flaw characteristics when applicable (meaning that there is an existing product category with the first criterion and the possibility of obtaining a patent with the second criterion). As I said with the prior question 1, failure is certain if most of the people in a segment are moderately or highly satisfied with existing completion. With the patent criterion, if someone else already has an effective patent, our new product would have no chance of succeeding. The third criterion dealing with distribution is also a fatal flaw criterion, at least with consumer convenience goods with which widespread retailer acceptance is necessary for success. Failure to get anything close to the widespread distribution needed means certain failure.

The second relevant characteristic used to select early stage criteria is that they should not involve collecting primary research. The degree of satisfaction with existing competition does involve primary research so it should not be used. The other two do not involve primary research and thus should be used.

Should the importance weight of the below evaluative criterion be **constant** across all new product concepts being evaluated or should the importance weight be **higher** when evaluating **some** new product concepts and **lower** when evaluating **other** new product concepts? Explain your reasoning. (3 points)

- Response to **concept testing**

How **high** or low should be weight of the below criterion tend to be? Explain your reasoning by evaluating the criterion on each of the two characteristics used to determine the importance weight of an evaluative criterion. Also, should the below criterion be used as an **early stage** evaluation criterion? Explain your reasoning. (5 points)

- Extent that demand for the product category is likely to increase or decrease in the next five to ten years

See my feedback on the **first** question 1 for the feedback to the first part of the question pertaining to the concept testing criterion as it is the same question as the first part of that question.

Let me actually start with the second part of the question about whether it should be an early stage criterion. Read my feedback on the **third** Q1 above to see more detail that an early stage criterion should be a fatal flaw one that does not involve collecting primary research. This is a fatal flaw criterion in the sense that a low rating means that demand for the product category is almost certain to **decrease** in the relevant future time period. This means it is entering the **decline** stage of the product life cycle, and introducing a new product during the decline stage means almost certain failure.

In terms of the weight assigned to a criterion used in a late screen with the weighted averaging approach, the two characteristics are the degree to which the criterion is a good predictor of success/failure and the degree of accuracy in rating a concept on the relevant criterion **prior to prototype development**. This criterion is not a good predictor of success because a high rating (meaning significant growth in the product category) on this criterion is not really more of a success than a moderate rating (meaning neither growth nor decline). This is because high growth product categories tend to attract more competition, which reduces the chances of success even though the high growth by itself increases the chances of success.

QUESTION 2 FEEDBACK

In two different instances, the lecture notes recommend **combining** two different pairs of steps in the text's new product planning process into a single step. Describe both of these combinations, along with explaining the reasoning for each combination.

My recollection is that most students got off to a good start on this question by knowing the two different pairs that should be combined (concept screening and concept testing being one pair with product development and marketing strategy development being the second pair). If you lost credit here, it was almost always because you left out some important details in your reasoning. Since all the reasoning is presented directly in the notes, I will refer you to this reasoning rather than taking the time to repeat it here. See page 2 of the notes for the **four** reasons for combining marketing strategy and product development and also see page 2 for the reasoning on combining concept testing with concept screening.

In the lecture notes, it is recommended that one of the steps in the new product planning process from the text **usually** should be conducted **later** than the text indicates. Describe this step and indicate when this step usually should be first conducted. Explain why it usually should not be conducted as early as the text indicates. (6 points)

Which one of the two components involved in forecasting sales is more difficult to accurately estimate even after a prototype is developed? Explain your reasoning)

Again, most of you got off to a good start on the first part of the question by knowing that the relevant stage is **business analysis** and even describing that this involves making quantitative projections of both sales and costs. Here there are **multiple** reasons to present though and many of you missed one or more of the reasons why this stage usually should not be conducted until a prototype is developed. More specifically, a lot of you got the cost

reasoning, at least to some extent, but **missed** the reasoning on the **sales** side, where it was necessary to incorporate later notes on both concept and customer product use testing.

The answer to the second part of the question is forecasting **market share**, with the reasoning being that it involves forecasting competition at the time you enter the market and beyond for that matter. This is discussed on page 11 of the notes.

According to the notes, fully describe the step in the NPPP in the text that should be **skipped** in some instances. Explain when and why this step should be skipped. (6 points)

Explain how and why **concept testing** should be combined with **concept screening**, rather than conducting concept testing **before** concept screening. (2 points)

Again, my recollection is that most of you got off to a good start on the first part of the question by indicating that it is **standard test marketing** that often is skipped. Also, as with the prior Q2s, some of you missed one or more of the reasons and also should have gone into more detail on the reasoning you presented. Overall, though, my recollection is that the results on this part of the question were good.

With the second part of the question, again, my recollection is that the results were good. The reason is that we would need to concept test a **large** number of concepts if it were done **before** any screening. This would be costly since concept testing involves **primary** research. Putting it another way, it is a waste of money to concept test new product concepts that have fatal flaws that can be discovered in a quick and dirty early screen.

Explain how and why **multi-stage** screening should be used when evaluating a large number of new product concepts during concept screening. Make sure that you describe two of the criteria that should be used during **early** stage screening and explain why each of these two criteria should be used. (5 points)

Explain why **product** development and **marketing** strategy development should both be conducted at the same time. (3 points)

Most of you did a decent job on the first part of making it clear that you knew what multi-stage screening involved and that it combines efficiency with effectiveness by having quick early screens to eliminate a lot of the concepts and then more detailed later screens on the smaller number of remaining concepts. A lot of people could not give good examples of early stage criteria or reasoning (see my prior feedback on the **third** question **1** for the reasoning based on using criteria that are fatal flaw criteria and do not involve primary data collection).

There are four reasons for the second part of the question on page 2 of the notes. Many of you gave only one or two of the reasons.

QUESTION 3 FEEDBACK

In general, the different question 3s were directly from the study guide and were also directly answered in the notes. Thus, rather than just repeating what is in the notes, I mostly give you specific references to the notes. Obviously, if you are using this feedback to study for the final,

or for whatever other reason you use it, you will need to read the relevant sections of the notes to understand specifically what you missed.

Which **one** of the **two objectives** of a **standard test market** is more **common**? Explain why this objective is more common, realizing that you need to discuss both objectives as part of your reasoning.

Which **two components of the marketing mix** tend to be tested at different levels in a standard test market? Explain why each of these two components tends to be tested at different levels. (8 points for the combined parts of this question)

Both parts of this question were directly answered in the notes. See D starting at the bottom of page 34 for the answer to the first part. The only thing I will add here is that I give a reference back to customer product use testing to help understand why the marketing mix objective is important. I do not remember very many if any people using the material in the reference in their answer. This is something you should have done here and might need to do on other questions whenever I give such references. I realize that such references might be a little frustrating for you as it means going back to prior reading. However, the reality is that some material is interconnected and you need to demonstrate understanding of this. So, the bottom line is to make sure to read the material referenced and to include it in your answers to study guide questions.

The material relevant to the second part of the question is under 2 on page 34.

In comparing concept testing to customer product use testing, which one of these two types of customer research is more likely to be skipped? Thoroughly explain your reasoning, realizing that you need to start by explaining when and why each of these two types of research should be skipped. (8 points)

As the question says, the key to the question is explaining when and why each of the two types of testing will be skipped. The three situations, along with the reasoning, for customer product use testing being skipped are identified under 3 on page 30. My recollection is that many of you missed one or more of these three situations.

I do not directly discuss when concept testing should be skipped. However, I do indicate in the evaluation of concept testing under D on page 26, that it can be inaccurate and indicate when and why it is inaccurate. Obviously, it should be skipped when the results will be inaccurate, so discussing when and why it is inaccurate, which is done on page 27 of the notes is what needs to be said about concept testing.

If you had gone over all three situations with reasoning with customer product use testing along with going into detail on when and why concept testing is inaccurate, you would have gotten full credit regardless of which one is more likely to be skipped. I would conclude that concept testing is more likely to be skipped because there are a lot of instances when it is inaccurate.

In spite of the lower accuracy of concept testing, explain why **both** concept testing and customer product use testing often are conducted during new product planning and

development, focusing on the different objectives of both types of customer research and that they are done at different times in the new product planning process. (6 points)

What is the difference between the marketing mix or mixes used in a **rollout** versus the marketing mix or mixes used during a standard test market? Explain why this difference exists. (2 points)

The main thing to say for the first part is that they have different objectives with the different objectives being relevant at different times in the new product planning process. Given that they have different objectives, it usually makes sense to conduct both concept testing and customer product use testing. More specifically, the main objective of concept testing is to get a direct customer reaction to the new product concept to help in **final screening prior to development even beginning**. Even though it is not that accurate, it is the **only** type of customer research that can be done at this early stage and it is relatively inexpensive. On the other hand, one of the main objectives of customer product use testing is to help **refine and modify the initial prototype**. This is an important objective that cannot begin to be accomplished with concept testing since we do not have a prototype when we do concept testing.

The second part of the question is directly discussed in the notes on page 33 under c. However, it also was relevant to indicate how and why multiple marketing mixes usually are tested in a standard test market, based on material on page 34. As I said with a previous question 3, it often is important to integrate material from a couple of places in the notes rather than relying only on material in one specific place in the notes.

Are standard test markets used more often in a) **consumer** markets or in b) **business** markets? Explain your reasoning, making sure that you incorporate a description of standard test marketing into your answer. Is customer product use testing conducted more often in a) **consumer** markets or in b) **business** markets? Again, explain your reasoning. (6 points)

What is the difference between the **nature** of the **community** or communities selected in a **rollout** versus the nature of the community or communities selected in a **standard test market**? Explain why this difference exists. (2 points)

Both types of testing are more likely to be conducted in consumer than in business markets. The answer to the first part with standard test markets was directly discussed in the notes under E starting on page 35. The answer to the first part with customer product use testing is first discussed under b on page 29. Another relevant point is made on page 31, which very few people mentioned. It is under c, with the objective of determining product specifications. As discussed in the notes product specifications in business markets are often done jointly between suppliers and buyers so there is no need to do formal customer product use testing with this objective.

The answer to the second part of the question is directly discussed in the notes under 3a starting at the bottom of page 32.

QUESTION 4 FEEDBACK

At least based on my recollection, I think this was the question that many of you could have and should have done a lot better. I say this for a few reasons. First, each question asked was directly from the study guide. Second, I told you specifically that you would be asked a question on the summary and there really were not a lot of pages to read from the notes on this topic. Third, I directly discussed three of the four questions asked in the class immediately prior to your exam. Based on these things, I would have thought that almost all of you would and should be getting at least half credit for your answers but this was not close to being the case. So, the question then becomes how could a large number of you have done poorly on Q4 even though each question was directly from the study guide and directly from the notes. The only plausible reason I can come up with is that most of you never answered any of these study guide questions even though I specifically said there would be a question from this summary stuff. I think you should have learned by now that it is critical to answer all the study guide questions and to give yourself enough study time to do this.

Fully describe the recommendation made in lecture about **how** wholesalers should be used by a **start-up producer** introducing a **new brand**. Fully explain the reasoning behind this recommendation rather than the other two standard and simple options that normally exist, namely using wholesalers or bypassing wholesalers. (Hint: In explaining your reasoning for the second part of the question, you need to **start** by identifying at least a couple of **advantages** of using wholesalers that are **very important** to such a **startup** and also identify at least a couple of **disadvantages** of using wholesalers that also are **very important** to such a **startup**. (9 points)

In the class before the exam, I specifically mentioned this question and indicated where it was discussed in the notes and gave you the starting point for the answer, namely that **missionary salespeople** are used in combination with merchant wholesalers. I may be wrong, but my recollection is that more than half of you asked this question never mentioned missionary salespeople. Even adjusting for the fact that some of you did not attend this class, I am surprised by this result. Anyway, the answer to this question is directly discussed in detail on pages 31 and 32 of the channel notes.

In the summary section of the channel notes, a **combination** of a **product type** and **market type** was identified with which a producer would tend to **bypass** wholesalers. Identify this combination and fully explain why wholesalers usually are bypassed with this combination. (8 points) (**Hint:** The most important potential advantage in using wholesalers is less important with this combination and more than one of the disadvantages in using wholesalers is very important with this combination. It would be good to start with identifying this advantage and the relevant disadvantages, along with explaining their degree of importance with the relevant product/market combination.)

I answered this directly in the class immediately prior to your exam so I think that almost all of you asked this question should have been on track, but this was not the case.

The relevant combination is **expensive** and **complicated** products in **business** markets. The reasoning is presented on page 30 of the channels notes. It was essential to know this combination in order to explain why some of the advantages in using wholesalers are unimportant in this situation and why some of the disadvantages are very important. In explaining your reasoning, you also needed to explain why the most important advantage exists with wholesalers and why the two most important disadvantages exist when using wholesalers. I probably gave more partial credit here than I should have for being aware of the potentially most important advantages along with the two most potentially important disadvantages even if you did not discuss the relevant product market combination.

In the summary section of the channel notes, a **combination** of a **product** type and **market** type was identified with which a producer would tend to **use** wholesalers. Identify this combination and fully explain why wholesalers usually are used with this combination. (8 points) (**Hint:** The most important potential advantage in using wholesalers is very important with this combination and more than one of the potentially important disadvantages in using wholesalers is not very important with this combination. It would be good to start with identifying this advantage and the relevant disadvantages, along with explaining their degree of importance with the relevant product/market combination.)

The answer to this question is directly discussed in the channel notes under a starting on page 29. I also directly answered the question in the class immediately prior to your exam. The starting point in answering the question is getting the correct product market combination, which many of you missed. As directly indicated in the notes, it is the extent that an established product is a **convenience** good in a **consumer** market. The only other thing, which I have indicated with other questions, is to **integrate** material from different parts of the notes. Here the **system cost savings** is the key advantage to talk about. To explain why this is such an important advantage here, you really need to go into the reasoning on why this advantage exists.

Explain why **agent** wholesalers tend to be used more than **merchant** wholesalers in **business** markets. (5 points)

What is the **primary dilemma** in using a hybrid channel system and how can this dilemma be **lessened**? (3 points)

The first part of this is directly and clearly discussed in the notes under F on page 33.

The second part is discussed, starting under 2 on page 32 of the channels notes.

QUESTION 5 FEEDBACK

The key starting point with each of these questions was knowing the relevant advantage or disadvantages to discuss and many of you had problems with this. I did give some credit for talking about an advantage or disadvantage that was not relevant to the question, but you could only get partial credit for this.

Describe the **most important advantage** for producers in using wholesalers. Thoroughly explain why this advantage exists, using the appropriate diagrams to help explain your

reasoning. Also, explain why this advantage exists to a greater extent with merchant wholesalers than with agent wholesalers. (7 points)

My recollection is that people did OK on this question in the sense that most of you knew that the relevant advantage was the one dealing with **system cost savings due to less duplication**. In addition, my recollection is that many of you knew that there would be fewer sales contacts for the system if wholesalers are used than if they are not used. Many of you stopped here though, without explaining how and why fewer system sales contacts reduces personal selling costs. In addition, although my recollection is that many of you correctly said that this advantage applies less to agents than merchants because there are not system cost savings with transportation and warehousing if agents are used since they do not do these functions, some of you needed to explain how and why there would be system cost savings in these two areas with merchant wholesalers.

Describe the two **advantages** to a producer in using wholesalers that only apply to **small** retailers and small business customers. Fully explain why each of these two advantages exists. (8 points)

Although this question did not come directly from the study guide, I thought it was a rather straightforward question because only two of the five advantages specifically mention **small** business customers or retailers. The two relevant ones are better access to **small** customers through sales pooling and that **small** customers often prefer dealing with wholesalers. My recollection is that many of you talked about other advantages. (By the way, lower fixed costs is not a direct advantage because it is accompanied by higher variable costs.) Once you got the right advantages, the reasoning was directly discussed in the notes, with the first advantage discussed under B1 starting on page 11 of the channels notes and the second advantage discussed under C starting on page 15 of the channels notes.

According to the notes, what are the **two advantages** to a **producer** in using a **wholesaler** rather than bypassing these wholesalers that result, either fully or in part, from the **producer's cost structure difference** between using wholesalers and bypassing them? Fully explain why each of these advantages exists, making sure you start your explanation by identifying the cost structure difference and then explaining why this cost structure difference exists. With which one of these advantages is there a more significant difference between the extent that it exists with **merchant** wholesalers versus the extent that it exists with **agent** wholesalers? Explain your reasoning, realizing you need to discuss this with both relevant advantages. (8 points)

My recollection is that many of you knew that the cost structure impact is lower fixed costs and higher variable costs and you explained why this cost structure difference existed. However, my recollection is that a much smaller number of you mentioned both relevant advantages that follow at least in part from this (**lower downside risk** and particularly **quicker access** to market.) See the notes on quicker access to market for the reasoning for this advantage existing, which start under A2 at the bottom of page 9.

Describe the two **disadvantages** to a producer in using wholesalers that result from the impact of the use of wholesalers on a producer's **cost structure**. Explain why each of these two disadvantages exists, starting with an explanation of how and why the use of wholesalers influences a producer's cost structure. When and why is each of these disadvantages important? (8 points)

My recollection is that many of you got off on the right track here by knowing that the cost structure impact is higher variable costs and lower fixed costs. However, my recollection is that some of you did not go beyond this to discuss the relevant two disadvantages. Even if you did this, my recollection is that the reasoning was limited because you did **not** incorporate material from **in-class lecture** from the class immediately prior to the exam.

The two relevant disadvantages are a) the one pertaining to less ability to meet low prices of competition (where you needed to use the concept of contribution margin as the starting point in your explanation) and b) lower profits at high sales volumes (where you needed to show the relevant graph from class as your starting point in your explanation). You also needed to explain that these disadvantages are important mostly when positioning on **price** along with explaining why this is the case.

QUESTION 6 FEEDBACK

How does distribution vary across the three types of consumer products, excluding unsought products? Explain the reasoning for these distribution differences. (5 points)

What is the primary reason for **profit reduction** during the **maturity** stage of the product life cycle – a) cost increases or b) sales decreases? Explain your reasoning, making sure that you discuss the reasons and situations that could cause sales to decrease or stay the same along with the reasons and situations that could cause costs to increase or stay the same. (3 points)

With the first part of the question, many of you recognized that the three relevant types of consumer goods were a) convenience, b) shopping, and c) specialty goods and also recognized that the three relevant types of distribution were a) intensive, b) selective, and c) exclusive. If you got this far, it was relatively easy to get the right distribution approach with the right type of product – intensive distribution with convenience goods, selective distribution with shopping goods, and exclusive distribution with specialty goods. Some of you could have done a better job describing each type of consumer good.

The key thing to realize in the second part of the question is that **sales** of the product category stay **stable** during maturity. In addition market shares tend to stay about the same. Thus, sales are unlikely to decline during this stage. However, **attempts** to increase sales or **respond to competitors' attempts** to increase sales usually add to **costs** with increased advertising and sales promotion costs, and even product development costs to keep up with competition, and even price decreases, which amounts to, for all practical purposes, a cost increase by reducing contribution margin.

Describe the different ways that a product **line** can be **lengthened**. When and why should each of these lengthening approaches be used? (5 points)

Which two of the four “**brand development**” strategies, which are discussed toward the end of the first product chapter, involve adding more **width** to an organization’s product mix? Explain your reasoning. (3 points)

My recollection is that people did not do well on the first part of the above question. Although the answer is directly discussed in the text from the first product chapter in the section on “product line decisions,” I do want to clarify a possible area of confusion. The concept of **lengthening** a product line is a **directional** concept in the sense that you can stretch/lengthen **up**, stretch/lengthen **down**, and/or **fill-in** the product line. Since it is directional concept, adding new versions often does **not** involve lengthening a product line, such as adding new flavors, new styles, etc. Adding new versions involves lengthening **only** when the new versions are a) **higher in both quality and price** than any or some existing version, or b) **lower in both quality and price** than any or some existing versions. To relate this concept to something we discussed in class yesterday, product form segmented price involves lengthening a product line.

For the second part, the key starting point to realize is that adding width involves adding a **new product category**. Thus the two relevant brand development strategies are the two that involve either the row or the column that involves a new product category (I do not have my text at home and I do not remember which variable is the row variable and which one is the column variable in the relevant table.) The two more specific ones are going into a new product category with the **same** brand name as used with an existing product category or going into the new product category with a **new** brand name.

How and why does the size of the market target and the market target strategy (differentiated, undifferentiated, and concentrated strategies are the three main options) tend to change from the introductory through the decline stage of the product life cycle? Explain your reasoning. (5 points)

What are the advantages and disadvantages of a “**line extension**” brand development strategy compared to a “**brand extension**” brand development strategy? Explain your reasoning, as always. (3 points)

Although there are different patterns for the first part of the question, the most common market target strategy used initially is a **concentrated** strategy. This strategy limits the risk involved with a new product. In addition, it often is only a niche segment that offers a good opportunity, at least with existing competition. Because an undifferentiated strategy is cheaper than a differentiated one, the second market target strategy used, which often begins towards the beginning of the growth stage, is an undifferentiated strategy. Then, largely for competitive reasons to gain market share during the maturity stage of the life cycle, one or more brands start using a differentiated strategy. Then, because the market is shrinking during decline, any possible profits need to involve cost reductions so there is a tendency to return to use of a concentrated strategy as it is the cheapest of the three strategies to use.

The primary difference between a line and a brand extension is that the **first** involves adding **depth** to a product line while the **second** one involves adding a new product line

(adding **width**). Each has its advantages. Adding **depth** is **cheaper** than adding width because it can use some of the same product processes and promotion approaches. However, adding width usually offers a greater potential for **significant** growth in sales because you have **multiple segments** that might be the new product category versus only one new segment by adding a new version in an existing product category.

With which **one** of the three types or groups of **business/industrial** products is the **business buying process** most likely to be **similar** to the **process** discussed in the chapter from the first exam entitled “Consumer and Business Buyer Behavior”? Explain your reasoning. Explain how and why the **buying process** may be different than this process with each of the other two types of **business** products. (5 points)

Do **producers** tend to rely more on increasing their product mix through a) more **depth** or through b) more **width**? Explain your reasoning, realizing you need to discuss both depth and width. Also realize that advantages may exist with both adding depth and with adding width and it is better to talk about both sides than to only talk about one side of the argument. (3 points)

I was not expecting anyone to provide a **detailed** description of the business buying process from the earlier chapter, although I was expecting some awareness of the process. Very few of you who answered this question seemed to have any awareness of this process. My guess is that you did not bother to go back and review it if you tried to answer this question when studying. However, the starting point for answering the first part of the question is that this process is **very deliberate** and **formal**. It would be used mostly with **infrequently** purchased products that are **expensive** and **complex**. More specifically, it is most likely to be used with **capital equipment** used in the production process. A much simpler process that would skip most of the steps, such as coming up with product specs, with simple products, which is often the case with **supplies** (like paper, copy cartridges, printer cartridges) and **some services**, such as use of a janitorial service.

The second part of the question is basically asking the same thing as the second part of the prior question on a line extension versus a brand extension. See my answer to that question as a reference.