

## F11 130 STUDY GUIDE FOR 3rd EXAM

### OVERVIEW OF THE THIRD EXAM

This exam will cover both the **product** and the **channels of distribution** components of the marketing mix. The exam will be based largely on two sets of notes, with the first set focusing on the **product** component of the marketing mix and the second set focusing on the **channels of distribution** component of the marketing mix. You also will be responsible for small amount of text material that will be identified by specific topic headings on the second page of this study guide.

Because of the large amount of material to study for this exam, you will have some **choice** of questions to answer. The nature of the choices is discussed below, under the structure of the exam. Also, note that there is an extra credit opportunity of sorts with the choice questions so I think it is a good idea to prepare for each topic in the choice questions rather than just picking one of the topics to study. The extra credit works by giving full credit to the better answer and half credit to the other answer in a choice situation.

### STRUCTURE OF THE THIRD EXAM

This exam will have three sections and be worth 40 points. Each of the three sections is discussed below, followed by study guide questions pertaining to each section.

- Lecture Notes on the Product Component of the Marketing Mix

This section will be worth about 16 points. You will have to answer one question on the weighted averaging indirect evaluation approach used in both screening new product concepts and evaluating them during development but prior to having a prototype. This topic is discussed starting with “IV” on page 12 of the notes with topic IV and it ends on page 25. You also will have to answer a second question, which will involve a choice of answering one of two additional questions. One of the choice questions definitely will deal with concept testing, customer product use testing, and/or test marketing, a topic, which starts on page 25 of the notes and goes to the end. The other choice question will come from the topics discussed in the first 11+ pages of the notes. If you answer both choice questions, you will receive the full credit earned on your better answer and half the credit earned on your other answer.

- Lecture Notes on Channels of Distribution

This section also will be worth about 16 points and there will be two required questions in this section with no choice. The first question will deal with a) the background information on the first six plus pages of these notes, b) the advantages to a producer in using wholesalers, which is under topic IV starting on page 7 of the notes and c) the disadvantages to a producer in using wholesalers, which is under topic V starting on page 17. Even if I do not ask you a direct question on the background stuff in the first 6+ pages, you will need to know this background to explain your reasoning on a question

dealing with the advantages and/or disadvantages of using wholesalers. The second required question will be based on the **summary** notes on when to use and when to bypass wholesalers. This is discussed under topic VI in the notes, which starts at the bottom of page 28. Since this is a **summary**, you need to fully understand the notes in the first 28 pages to adequately answer any required summary question.

- Text Material from the Two Chapters on the Product Component of the Marketing Mix (Note that I am not including any material from the text on the Channels chapter.

This section will be worth about 8 points. There will be one required question, meaning there will be no choice of questions in this section. The specific topic headings to study are listed below. Having four topics may sound like a lot but if you look at these sections, you will see that they make up only about 10-15 pages of text material.

- “Product and Service Classifications” from the beginning of the first chapter on the product component of the marketing mix
- “Product Line Decisions” and the following section on “Product Mix Decisions” from the middle of the first chapter on the product component of the marketing mix
- “Brand Development” which is right before the ending section on “Services Marketing”
- “Product Life Cycle Strategies” from the second chapter on the product component of the marketing mix

There also is one area of overlap between the text and lecture. At the beginning of the product notes, I discuss the differences between the new product planning process in the text and the one I suggest. If I ask you a question on this topic, it will be from the notes. However, I think it will be helpful to read the section on this in the text at the start of the second chapter on the product component of the marketing mix.

Now that I have discussed the structure of the exam, I will move on to some specific study guide questions. There are three such sections of study guide questions, one for each of the three sections on the exam.

### **STUDY GUIDE QUESTIONS ON THE PRODUCT NOTES (These questions are relevant to SECTION ONE on the exam.)**

The first five questions below are from the first 11+ pages or so of the product notes. As I indicated in the discussion of the first section of the exam, **one** of the two **choice** questions in this section of the exam will come from this beginning section of the notes.

1. 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.

2. 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 thoroughly explain why it should not be conducted as early as the text indicates. Also explain why this step should be conducted multiple times after it is first conducted. Finally, explain how and why later evaluations during **development** would be more **negative** than earlier evaluations conducted during **development**, realizing that a number of reasons exist and are discussed in the lecture notes. With each of these **negative** factors, discuss what steps should be considered, making sure to explain your reasoning.
3. According to the notes, which of the steps in the NPPP in the text should be **skipped** in some instances. Explain when and why this step should be skipped, incorporating lecture notes from both the beginning and the end of the notes.
4. Explain why it is **inappropriate** to use **SINGLE-STAGE** screening when evaluating a **LARGE number** of new product concepts. Explain why it would be **inappropriate** to use **MULTI-STAGE** screening when evaluating a **SMALL number** of new product concepts. Would the single-stage screening done in this situation with a small number of new product concepts be more similar to an **earlier** stage of multi-stage screening or more similar to a **later** stage of multi-stage screening? Explain your reasoning.
5. Describe the steps in estimating profitability when using the direct approach of evaluating profitability. When and why should the direct evaluation approach be used **prior** to prototype development? 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.

The next set of questions, Q6-Q9, relate to the weighted averaging indirect evaluation approach. The required question in this first section of the exam will deal with this topic.

6. Describe both how to select the evaluative criteria used and how to select the weights of these criteria used in the weighted averaging indirect evaluation approach. As part of a question on this, I might give you two possible evaluative criteria from the list under 2 starting at the bottom of page 14 and ask you to discuss the extent that each of these criteria meet each of the two characteristics used to select the criteria and their weights.
7. Explain when and why the importance weights of some evaluative criteria can stay the **same** for most or all of the new product concepts being evaluated. Explain when and why the importance weights of most evaluative criteria should be **different** in evaluating some new product concepts than in evaluating other new product concepts. As part of this question, I may give you one or two possible criteria from the list under 2 starting at the on page 15 and ask you whether the weights would tend to be constant or if the weights would tend to be variable with the criteria in the question. Another option with this list of criteria is that I could give you two of the criteria on this list and ask which criterion should have a higher importance weight based on applying the two characteristics used to determine the weights.

8. Describe each of the two **quantitative DECISIONS** or steps that need to be determined **prior** to conducting the calculations with the weighted averaging indirect evaluation approach. Separately, with each of these two steps, fully explain how the numbers are determined.

Explain why it is more appropriate to generate **number** scores for each new product concept evaluated at the end of concept screening rather than using a qualitative rating system, such as one involving letter grades with plusses and minuses.

9. Using the notes from the last step of the weighted averaging indirect evaluation approach, explain why a new product concept whose total score exceeded the decision threshold should be terminated even if neither the concept ratings nor the importance weights change. Is it more likely that a) the **importance weights** or b) the concept **ratings** should be **changed** during this last step of the seven-step indirect evaluation process? Fully explain your reasoning, making sure you discuss both the ratings and importance weights.

The next set of questions relate to the three types of customer research that can be done during new product planning. The relevant notes here start at the bottom of page 25. As I said in the previously, one of the two choice questions in this first section of the exam will come from these types of customer research (concept testing, customer product use testing, and test marketing).

10. Explain why customer product use testing tends to provide more accurate results than the results with concept testing. In spite of the lower accuracy of concept testing, explain why both concept testing and customer product use testing 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.
11. 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.
12. What are the **more tangible** differences between a **rollout** and a **standard test market**? Explain why each of these differences exists.
13. 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.

Are standard test markets used more often in a) consumer markets or in b) business markets? Explain your reasoning. Is customer product use testing conducted more often in a) consumer markets or in b) business markets? Again, explain your reasoning.

## STUDY GUIDE QUESTIONS RELATED TO THE SECOND SECTION OF THE EXAM, WHICH IS FROM THE CHANNELS OF DISTRIBUTION NOTES

As I indicated previously, you will have two required questions in this section with no choice. One of these two questions will deal with the background, advantages, and disadvantages to a producer in using wholesalers on the first 28 pages of the channels notes. Q1-Q9 are the study guide questions dealing with this first exam question. The second question will come from the section in the notes on the summary of the use of wholesalers, which is topic VI starting on page 28. Q10-Q13 are the relevant study guide questions here.

1. What are the **differences** between **merchant** and **agent** wholesalers? Based on these differences, what is the general advantage to a producer in using merchant wholesalers versus using agent wholesalers? Explain your reasoning. Also, based on these differences, what is the general advantage to a producer in using agent wholesalers versus using merchant wholesalers? Again, explain your reasoning.

What is the difference between channels used in business markets and channels used in consumer markets? Explain why this difference exists.

2. 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.
3. One of the advantages a producer has in using wholesalers is better **access to small** retailers or to **small** business customers. Explain why this advantage exists. Does this advantage apply a) to a greater extent with **agent** wholesalers than with **merchant** wholesalers, b) to an equal extent with both types of wholesalers, or c) to a lesser extent with agent wholesalers than with merchant wholesalers? Explain your reasoning.

One of the producer advantages in using wholesalers or distributors is that the use of wholesalers will tend to result in **distribution cost savings** for the **entire system of distribution**. Explain why this advantage exists. Does it tend to exist to a greater extent with a) merchant wholesalers or to a greater extent with b) agent wholesalers? Explain your reasoning. Explain why producers as a group usually have some of these cost savings **passed back to them** by wholesalers. Explain why **some producers** obtain a **larger share** of these **system distribution costs savings** than other producers.

4. Describe the disadvantage to producers in using wholesalers that involves the degree of quality of personal selling. Explain why this advantage usually is less important in consumer markets than in business markets. Does this disadvantage exist to a lesser extent with a) merchant wholesalers or with b) agent wholesalers? Explain your reasoning.

5. Describe the disadvantage to a producer in using wholesalers that relates to the quality and quantity of competitive intelligence received by the producer. Explain why this disadvantage exists when wholesalers are used. Does this disadvantage exist to a lesser extent with a) merchant wholesalers or with b) agent wholesalers? Explain your reasoning.
6. Describe the producer disadvantage involved in using wholesalers that is preventable. Explain why this disadvantage will exist if a producer does not take appropriate action to prevent it and explain when and why this is an important disadvantage. How can a producer prevent this disadvantage from existing?
7. 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. Describe the miscellaneous disadvantage to a producer in using wholesalers that puts the producer in a difficult dilemma. Explain both why this disadvantage exists and why it creates a difficult dilemma for producers. Also, explain why this disadvantage exists only with merchant wholesalers. Finally, what can a producer do to resolve this dilemma and explain how and why this approach may resolve the dilemma?
9. Do **smaller** customers prefer to deal directly with producers or do they prefer to deal directly with wholesalers? Explain your reasoning.

Explain how and why a producer's decision to use or bypass wholesalers involves a **cost/sales** tradeoff. (**Hint:** The most important advantage to a producer in using wholesalers is a **cost reduction** one and the two most important disadvantages tend to result in a **sales** reduction. Thus, the key to this question is to identify the **most important** advantage and the two **most important** disadvantages. These are identified in the notes although you need to read the notes systematically to identify the most important advantage and the two most important disadvantages.)

The next set of questions pertains to the **summary** material in the channel notes, which is in VI starting at the bottom of page 28. As I indicated in the prior discussion of this section of the exam, you will have one required question on this summary material.

10. 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 - 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**.)

11. Toward the **end** of the lecture notes on use of **wholesalers** both a **combination** of a **product** type and **market** type was identified with which a producer would tend to **bypass** wholesalers and a **contrasting combination** of a **product** type and **market** type was identified with which a producer would tend to **use** wholesalers. Describe both of these combinations and fully **explain why** wholesalers would tend to be **bypassed** with the **first combination** and also explain why wholesalers would tend to be **used** with the second **combination**.
12. When and why should a producer use a **hybrid** channel system? What is the **primary DILEMMA** in using this hybrid system and how can this risk be **lessened**? Explain your reasoning with all parts of this question.
13. Explain how and why agent wholesalers represent a compromise between producers using merchant wholesalers and producers totally bypassing both merchant and agent wholesalers?  
  
Explain why agent wholesalers tend to be used more than merchant wholesalers in **business** markets.

**STUDY GUIDE QUESTIONS RELATED TO THE THIRD SECTION OF THE EXAM, WHICH INVOLVES A VERY LIMITED AMOUNT OF TEXT MATERIAL**

1. How does distribution vary across the three types of consumer products, excluding unsought products. Explain the reasoning for these distribution differences.  
  
Based on the consumer buying behavior with “specialty” consumer products, explain how and why this category could **overlap** with a) “convenience” products and with b) “shopping products.”  
  
With which of the four types of consumer goods is it **hardest** to **generalize** about the **marketing mix** to be used? Explain your reasoning, again doing a comparative evaluation that involves each of the four types.
2. 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 how and why the **buying process** may be different than this process with each of the other two types of **BUSINESS** products.
3. Can a product mix be lengthened by adding width to the product mix? Explain your reasoning. Can a product mix be lengthened by adding depth to a product mix? Explain your reasoning.  
  
Describe the different ways that a product line can be lengthened. When and why should each of these lengthening approaches be used?  
  
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.

Do **RETAILERS** 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.

The text refers to the length of both a) product line and a b) product mix. Are these two types of lengths the same thing or are they different? Explain your reasoning.

4. 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. Do the remaining two brand development strategies involve adding a) depth, b) consistency, and/or c) length to an organization’s product mix? Explain your reasoning, realizing you may need to talk about these two brand development strategies separately.

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

5. 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 along with those that could cause costs to increase.

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 (These three market target strategies are discussed in the one set of notes for the **first** exam. A concentrated strategy is discussed again toward the beginning of the notes on **repositioning** from your second exam.)

In its discussion of the **growth** stage of the product life cycle, the text identifies a **tradeoff**. Which side of this tradeoff would you place higher priority on achieving? Explain your reasoning, realizing that you need to read what the text says about the **maturity** stage to answer this question.