

## FEEDBACK ON 1<sup>ST</sup> EXAM

I am providing both general feedback and question-by-question feedback. I think the general feedback is more relevant, as it provides an indication of what needs to be done on future exams to improve your performance.

Speaking of future exams, the **second** exam will be very different than the first exam in one very important respect, largely because it focuses **only on lecture notes** (with possible additions to the notes presented in class).

- The second exam is a lot less about lists and a lot more about having a **very detailed understanding** of a relatively small number of core concepts. Since the second exam is based totally on the two posted sets of lecture notes, a key success factor for the second exam will be a **careful and thorough repeated reading** of the lecture notes, along with coming to class to get a better understanding of the lecture notes. (A careful and detailed reading of the text and the notes was not that critical for the first exam. I think you could skim much of the reading in the chapter by focusing only on the study guide questions and the explanations about the concepts you needed to know were not that detailed.) Skimming the lecture notes to search for answers to the study guide questions will be a huge mistake on the second exam as you will not be able to understand the concepts if you try to take this shortcut.

### General Feedback

The three basic improvement factors are listed below.

- Develop your reasoning and explanations more thoroughly.

Here, you are on the right track. However, you would get more credit with **more detailed explanations** and **reasoning**. If you know the material in more detail, the solution is relatively easy, namely just giving more detailed answers. However, I think that, more often than not, you will need to study the material in more detail to explain it in more detail.

With the exception of section II, providing insufficiently detailed explanations was not the biggest problem on the first exam, largely because the text does not go into a lot of detailed explanations. It tends to go over lists of relatively simple concepts with rather short explanations. However, **insufficiently detailed explanations** is potentially a **huge problem** with the second exam as the notes focus on very detailed explanations and I expect you to go into the same amount of detail in your answers. I might add though that this was a rather common problem for students who were on track with their answers. I give a lot of examples of this problem in the question-by-question feedback.

- Although you discuss some relevant factors, you leave out other relevant factors.

Here, also, you are on the right track but you leave out some important points.

This was a problem for some of you, particularly those who did better on the exam, as this factor can account for you getting only **partial credit** rather than getting closer to receiving full credit. I think this is almost always due to just forgetting some of what you studied. Other than spending more time to learn your answers, this is something that is hard to correct. However, it also could be due to just trying to find one or two points to make per question, when more points are relevant. You will see examples of this with my question-by-question feedback.

- You are totally off track and there is little evidence that you even attempted to answer the relevant study guide question.

When this is the case, you will be receiving little of any credit for your answer. This was the most common problem with the first exam and it was a bigger problem for the last two sections than for the first two sections. Given that the study guide questions tended to be rather direct from the last two sections, I suspect that the underlying problem here was that **you did not leave yourself enough time** to answer most or all of the study guide questions from these last two sections of the exam. As you know, I repeatedly stressed the critical importance of getting an early start. I think the results would have been a lot better if more of you had followed this advice. Fortunately, with three more exams and an extra credit final, you will be able to raise your grade a lot if you get an earlier start and spend more time studying for the second exam.

## QUESTION-BY-QUESTION FEEDBACK

For your convenience, I copy and paste each and every exam question below (in red font), and then give some feedback. I do not give complete answers, just the basic points.

### Section I Questions and Feedback

Identify each of the **two sales/cost combinations** that exist when the **price** of a brand is **increased**. Explain why these are the **only two sales/cost combinations** that realistically exist with a price increase. Explain when and why each of these two relevant sales/cost combinations will exist with a price increase, making sure to discuss the impact of a price increase on both sales and costs.

The starting point here was to realize, as I stressed in lecture, that price, at least in a practical sense, always has an impact on costs. If price is increased, this always amounts to a practical decrease in costs because a price increase always raises contribution margin the same as a reduction of the same amount in variable costs would increase contribution margin. Thus the two relevant sales/cost combinations both must involve a **cost decrease**. Since sales are unlikely to increase as price is increased, the two relevant sales/combinations are a) **sales decrease and cost decrease**, or b) **sales remain the same while costs decrease**. In terms of explaining when and why each of these two combinations exist, you need to start by discussing whether competitors increase their prices as well or whether they leave them the same. If competitors raise their price as well,

the issue then becomes whether the product category is a necessity without close substitutes (gasoline for example) or whether the product category is not a necessity and/or has close substitutes (like orange juice). If competitors do not increase their price, then the key issue is how brand loyal are the customers of the brand that increased price.

Identify the sales/cost combination that is **most likely** to exist when the **price** of a brand is **decreased**? Explain why this combination is more likely to exist than the only other sales/cost combination that sometimes exists when the price of a brand is decreased, making sure you identify both relevant sales/cost combinations. Finally, explain why none of the other possible sales/cost combinations will exist with a price decrease, focusing on a discussion of the impact of a price decrease on **costs**.

Here, as with the previous question, the starting point is to realize that, for all practical purposes, a price decrease always will amount to a **cost increase**, again using the concept of contribution margin to explain this. Realizing that since the only two relevant sales/cost contributions must involve a cost increase, the two relevant ones are a) **sales increase while costs increase** and b) **sales stay the same while costs increase**. In terms of which one of these is more likely to occur, the **second** one is the answer with the reasoning being that price decreases often are triggered by a competitor first lowering price and we respond quickly to their price decrease. In this situation it is a lot more likely that our sales will remain constant than it is that sales will increase. Even if we lower our prices first, it is likely that competitors will quickly respond with a price decrease, which usually will offset any possible sales increase that might have happened.

The other part of the question involves getting back to the impact of a price reduction on costs, which allows you to rule out any combination with a cost reduction or costs being neutral.

Describe the **four** sales/cost combinations that will tend to exist when an attempt is made to **alter** a product. Explain when and why each combination will exist, making sure to discuss the impact of attempting to alter a product on both sales and costs, along with making sure to discuss this issue with each of the two objectives involved in altering a product.

It makes sense to start here with each of the two objectives involved, which are a) to improve the product for customers and b) to reduce costs of producing the product. You then can talk about sales/cost combinations with each of these two objectives.

With the objective of improving the product, which almost always will involve a cost increase, the two most relevant combinations are a) a **sales increase with a cost increase** or b) **sales remaining neutral while costs increase**. **Multiple** reasons for the latter should be presented, including the possibility that the new technology needed to improve the product cannot be developed. I discussed this risk in class.

With the objective of alterations done to lower production costs, the two most likely combinations are a) **sales decrease and costs decrease**, and b) **sales remain the same while costs decrease**. Reasons why sales would remain the same need to then be discussed.

Explain why a sales/cost tradeoff is more likely to exist when a **retailer** expands by **opening new** outlets than when the retailer **closes existing** outlets?

Describe the sales/cost combinations that exist **only** when a **producer** is expanding distribution of its brand at the retail level and explain why this combination does not exist either when a change is made in pricing or when is made with the product component of the 4 Ps.

The sales/cost combination that almost always exists when a retailer opens new outlets is that **sales increase and costs also increase**. A short explanation should be provided about why this combination almost always exists when new stores are opened. Most of you got this point. With closing sales, two combinations are reasonable with the obvious one being a reduction in both sales and costs. However, here it is more than a remote possibility that **sales can remain neutral as costs decrease**. The basic reason is that **good planning** involves closing specific stores that likely will minimize the negative impact on sales. More specifically, closing stores where sales are low, where other stores are close by, and where the customers tend to be store loyal will result in sales remaining neutral.

The last part of this question was the hardest. The thing to realize is that when a producer tries to get more retailers to carry and purchase the brand, there often is **not** a cost increase. This is the only situation where costs are likely to remain neutral. Once you realize this, the rest of the answer involves explaining why costs do not remain neutral with either price or product.

**Question on sales impact of the three market target strategies and possibly the cost impact**

I asked different specific questions but they all dealt with the relative impact of the three market target strategies on sales and one or two questions also dealt with the impact on costs.

In general, you were on the right track here but there were a few details that would have improved your score. The most common way to improve your score would have been to use **your own example** of a product category where you could have talked about the difference between the three strategies and also explain the reasoning for your sales assessments. Most of you used automobiles, which is the same example I used. Picking another automotive company was, in my judgment, using the same example I used.

There was one point of confusion here for some of you. Some of you thought that differentiated involved a producer selling different product categories like HP selling computers and printers. This is not what a differentiated strategy involves. It involves multiple versions of the same product category.

One last point is that you could have shown more thoughtful analysis. It is hard to rank undifferentiated versus concentrated in terms of sales. Although undifferentiated has a larger target than concentrated, this may or may not be offset by providing less satisfaction because the one version may be positioned to the masses, which may not provide a high degree of satisfaction to any segment of the market.

## Questions and Feedback on Section II

Using the text material in the section of the first chapter on “Building Customer Relationships, present some recommendations about how a large chain **producer** should manage and build customer relationships. Explain your reasoning with each recommendation. Also, describe the primary **challenge** a **producer** faces in building such relationships compared to a retailer’s ability to build such relationships.

Which one of the three primary data collection approaches tends to be used most often and which one of the remaining two tends to be used least often? Explain your reasoning, based on a careful evaluation of each of these three primary data collection approaches. (**Hint:** one of the three data collection approaches involves conducting an experiment.)

Most of you were on track with the first part of the question, although some of you focused more on retailers than on producers. The main thing here was that you left out relevant things that a producer could do, both with consumers and with building relationships with retailers. Some of you made the mistake of saying that a producer does not need to worry about relationships with consumers. Reading the text more carefully would have helped here along with realizing that the idea is to **give as many relevant points as possible**, rather than just giving one or two relevant points.

Most of you were also on track with the second part of the question, at least in the sense that you were aware of the three relevant data collection approaches. Surveys tend to be used more than the other two. Observation, which by the way is **not** always or even usually an **exploratory** research approach, is limited in its use in a couple of ways. First, we can only observe **behavior** and usually only observe it in a **public setting**. Using an understanding that key things to understand are customer satisfaction, and customer needs and wants, neither of which is behavior that can be observed, then observation does not tell us the most critical information we need. Only surveys can provide this most critical attitudinal information.

With experiments, the first thing to do is to describe the data collection approach and most of you did not do this. Once you describe it, you can then explain that it is very costly and time consuming and also does not provide the key attitudinal information related to customer satisfaction and needs and wants.

How does the concept of managing customer relationships change the nature of the market target? Explain your reasoning.

What are the differences in **questioning** between methods of primary data involving a “**survey**” (mail, telephone, online, or personal interview) and a **focus-group** interview? Explain why each difference exists.

Based on my memory, which may be faulty, I think that students had some difficulty with both parts of this question.

With the first part, the biggest problem was not focusing on the issue of the **nature of the market target**. The text discusses two things that are relevant. The first is taking a **more focused** approach to targeting by separating the less profitable from the more profitable customers. The second is focusing on trying to retain customers who are more loyal.

Although I directly discussed the framework for answering the second subquestion in class, many of you gave no evidence of this sinking in. The starting point is to realize that the questioning with surveys is more **structured** and **standardized** than the questioning in a focus group. Once you do this, you need to explain why these differences exist and they pertain to the research objective. Focus groups are meant to be **exploratory** research or **qualitative** research where we are looking for ideas. Too much structure or standardization will not provide good ideas. However, surveys are meant to be **descriptive** or **quantitative** research. To quantify results, we need both structure and standardization. You would then go into more detail on this, remembering that I am not totally answering these questions.

Figure 1 on page 6 of your text describes the steps in the marketing process. Describe this process and explain the logic for the sequence of steps in this process. (6 points)

Which **contact method** involving primary data collection is most appropriate to use with **exploratory** research? Explain why this contact method is more appropriate to use with **exploratory** research than **survey** research would be to use with exploratory research. (4 points)

My recollection is that most of you were on track with the first part of the question, although you might have missed some important details in describing the steps or even missed a step. Note that the question also asked to explain the logic and some of you did not attempt to do this.

The answer to the second subquestion is **personal interviewing**, more specifically, focus group interviewing. I gave you an important hint on this in class, which many of you seemed to ignore. The hint was to think about the needs of exploratory research. The need is **flexibility** and personal interviewing is more flexible than the other contact methods. Some of you also did not focus on contact methods here (mail, telephone, personal interviewing, and online).

Describe two of the types of **competitive marketing intelligence** that you think are usually unethical. Explain your reasoning, realizing that a type may be less ethical in some situations than in other situations depending on how it is used.

Which one of the three research **approaches/objectives** is used most often and widely? Explain why each of the other two research approaches are used less often than one used most often.

Although most of you were on track with the first part of the question, some of you did not focus on getting information **about competitors**. If you were on track, the main issue here was providing more detailed and specific reasoning. For example, many of you discussed

dumpster diving. This was fine as a **starting** point, but realize that this can be done in different ways. If it is done where the dumpsters are on **public** property it is less of an invasion of privacy than if it is done inside company offices by breaking in after hours. Another way this can be done is to bribe a cleaning person to give you relevant garbage or even to disguise yourself as a cleaning person. This detail with other types of competitive intelligence is what would have given you more credit.

With the second subquestion, some of you focused more on methods of primary data collection than on the basic approaches/objectives, of exploratory, descriptive, and causal research. When you focus on these objectives, there is not one correct answer in comparing exploratory to descriptive research and the key to getting full credit is to go beyond a superficial and simple explanation, using your own reasoning. The key is whether you assume that exploratory research can be **skipped** in many instances. In reality, it can and often is skipped, at least if it involves going beyond secondary research. Particularly with established products, we know what the focus of research needs to be without doing any exploratory research. If exploratory research can be skipped, then descriptive research is the most common objective. You also can argue though that we **only** do exploratory research without then doing either descriptive or causal research. This is particularly the case with **focus groups**, which is the most commonly used primary data collection approach with exploratory research. Focus groups are a lot less costly than descriptive research, where large samples are needed or with causal research where costly control groups are needed.

### Questions and Feedback from Section III

What are the **differences** between the 1) consumer **buying decision process** and the 2) consumer **adoption process**? Explain your reasoning in each instance.

Use the text's discussion of the characteristics of **business** markets and of **business** buying behavior to determine whether a) **personal selling** or b) **advertising** is a **more** important promotional tool in communicating to and with **business** buyers. Thoroughly explain your reasoning, making sure you integrate a discussion of the relevant characteristics into your answer.

My recollection is that many people were on track with both subquestions here but more detail would have resulted in higher scores.

With the first part of the question, probably the most common problem was assuming that there is no **post-purchase evaluation** with the adoption process. The reality is that the trial stage usually is a trial **purchase** and that the adoption **decision** is based on a post-trial evaluation of the trial experience. Putting this another way, consumers do not always adopt everything they try. Another importance detail is whether the trial involves actual purchase. If it does, which often realistically is the case, then the only difference between it and the purchase stage of the buying decision process is the amount purchased, (the lowest amount possible with trial purchase) and the motivation for purchase (trying it out versus being beyond trying it out) If you selected trial as a difference, which is not unreasonable,

then you needed more of the analysis and reasoning that I am suggesting, at least to get full credit.

My most common suggestion with the second subquestion is to identify more relevant characteristics. Many of you only said that business buyers are larger and fewer in number and related these two characteristics to greater use of personal selling. This is good but there is more to say, involving the complicated nature of the buying unit, the complex products and buying processes, and the joint dependence.

Describe each of the three **social** factors that influence consumer behavior. With each factor, indicate how, when and why it tends to influence consumer behavior. Which one of the three **cultural** factors that influences consumer behavior is most similar to one of these three social factors? Explain your reasoning.

For those of you in the ballpark, some of you mixed up social with cultural factors and you lost some credit for this. Some of you also lost credit for not thoroughly discussing when, how, and why each of the three social influences consumer behavior. For example, the text says a lot about the influence of groups and social networks and many of you barely scratched the surface on this.

In terms of the last part of the question, you could have made a strong argument for subculture overlapping with groups and social networks or even with family. You also could have talked about the overlap between social class (a cultural factor in the text) and roles and status (a social factor in the text).

Identify a product that has had a very **fast** rate of adoption and use an analysis of **three** of the five factors that influence the rate of adoption to explain why this product had a fast rate of adoption. (4 points)

Two of the major influences on **business** buyers are rather similar to the **social** factors that affect consumer behavior. Describe each of these two relevant influences on business buyers.

With the first subquestion, only a few of you used three of the factors that influence the rate of adoption. These five factors are listed in bullet format one or two pages after the stages in the adoption process are described. For reference, one of these factors is “divisibility.” Although very few of you used this list, some of you got partial credit for discussing what could be done to raise quick awareness, raise interest, or stimulate trial.

My recollection is that very few people were on track at all for the second subquestion. The four major influences on business buyers are environmental, organizational, interpersonal, and personal. The two that obviously are most similar to social factors are organizational and interpersonal so going into some detail on these is what you needed to do.

Based upon a careful comparison of a) “characteristics affecting **consumer** behavior” from the beginning of the chapter to the b) “major influences on **business** buyers” from the end of the chapter, what characteristics influence **both types** of buyers? Explain your reasoning.

This was only a second subquestion on one or two exam versions. My recollection is that the results were not that good, largely because few of you were aware of any of the above four influences on business buyers. There are many similarities once you are aware of the major influences on business buyers. This actually was a question where a lot of you just made things up rather than relying on the text.

### Questions and Feedback from Section IV

Overall, this was the area where performance was the weakest. I suspect that a lot of you never got around to studying the study guide questions from this chapter beyond possibly knowing the different types of segmentation.

At the end of the text's discussion of the three market target strategies (differentiated, undifferentiated, and concentrated), it identifies **five factors** that are used to determine which **market target strategy** should be used. Use **three** of these five factors to explain why a differentiated market target strategy is used more often than an undifferentiated market target strategy.

Using the class discussion from yesterday, describe **benefit** segmentation and explain how and why it is useful. Describe one additional type of behavioral segmentation and explain how and why it would be useful.

Results were very poor with the first subquestion. Very few students demonstrated an awareness of any of the five relevant factors even though I talked about where to find these factors in class last Monday. As a reference, two of the five factors are degree of market variability and degree of product variability. Some of you assumed that the five requirements of effective segmentation were relevant, but they were not relevant and the class discussion of these requirements should have told you this.

The results were a little better on the second subquestion. Some of you knew what benefit segmentation was and even gave your own example. Many assumed though that it is listing product benefits, rather than the determinant benefits that customers place importance on, which varies from segment to segment. With the last part of this question, some of you talked about methods of segmentation, such as demographic, that are not "behavioral."

Evaluate Southwest Airlines positioning strategy on **three** of the **criteria** used to determine which differences to use in positioning and promotion. Fully explain your reasoning for your evaluation on each criterion. Your evaluation must start with an understanding of each of the relevant criteria discussed in the chapter pertaining to positioning and promotion. (5 points)

The first of the three factors used to evaluate market segments, "**segment size and growth**," suggests that **larger** and **growing** market segments are more appropriate for market targeting than **smaller** and **stable** segments. Use the **two remaining** factors and **subfactors** used to evaluate market segments to explain why it might be more appropriate to target a **smaller and stable segment** than a larger and growing segment.

Results were very bad on the first subquestion, largely because only a few of you demonstrated any awareness of any of the relevant criteria even though the criteria are listed in italics with bullets so they were rather easy to spot as far as I am concerned. They are in the section entitled “Which Differences to Promote.”

Results also were not good with the second subquestion. The relevant factors are listed right at the beginning of the major section entitled “Market Targeting.” I even listed one of the factors to help you find the relevant ones but it did not seem to help much.

Which one of the two relevant requirements of effective segmentation does benefit segmentation do a better job of meeting than demographic segmentation? Explain your reasoning. Explain how and why demographic segmentation does a better job of meeting the remaining relevant requirement than benefit segmentation does? Again, explain your reasoning. (6 points)

Excluding benefit segmentation, describe **two** of the types of **behavioral** segmentation that are most useful in predicting what **brands** a person will purchase, explaining the reasoning for each type.

Even though I must have spent about 15 minutes talking about the first subquestion two days before your exam, very few of you used any of what I said and I find this a little puzzling. The two relevant requirements are differentiability, which I specifically defined on the board, and measurability, which I gave the two relevant dimensions of on the board (cost of measurement and accuracy of measurement). I went on to say that demographics is better on measurability particularly the cost component, but that benefit segmentation is much better on providing segments where people within each segment will respond in a consistent basis to a positioning strategy and marketing mix. I went on to use the perceptual map example, which uses benefit segmentation to explain this.

Results were better with the second subquestion. However, realize that occasion segmentation, which is one of the types that many of you talked about, is not useful in predicting what **brands** a consumer will buy. Knowing that people may buy candy for Valentine’s Day, for example, does not help predicting what brand of candy will be bought.

At the end of the text’s discussion of the three market target strategies (differentiated, undifferentiated, and concentrated), it identifies **five factors** that are used to determine which **market target strategy** should be used, Use **three** of these five factors to explain when and why to use a **concentrated** market coverage strategy. (5 points)

The above subquestion is very similar to a prior one already discussed, with the only difference being that it asks you to apply three of the relevant factors to a concentrated strategy rather than explaining why a differentiated strategy is used more often than an undifferentiated strategy. The results were just as bad with this subquestion. As before, the big problem is that very few of you were aware of any of the relevant factors.

## Summary

As I said at the beginning, I think the general feedback I provide is more relevant than the question-by-question feedback, although the themes brought up in the general feedback show up repeatedly in the question-by-question feedback.

I think the biggest challenge many of you face is trying to stay motivated rather than getting discouraged. I will address this issue in class. I am sure that many of you can and will show substantial improvement if you start studying sooner so that you end up spending more time studying. For the second exam, you should start immediately by reading the first set of notes on positioning. I had given you a reading assignment for tomorrow (Monday) and I will give you additional reading assignments in class tomorrow. Basically, though you should divide this set of notes into sections that I will give you in class tomorrow and read through each section at least twice before moving on to the next section.