



CII Institute of Logistics

Post Graduate Diploma in Supply Chain Management
Semester-end Examination June 2008

MARKETING MANAGEMENT

Time : Three Hours

Marks : 100

Part A

Answer all questions (10 x 1 = 10 Marks)

1. Which of the following is not in the marketing mix?
 - a. Product
 - b. Price
 - c. Portfolio
 - d. Place
2. "Relatively small, located in residential area, open during longer hours and carrying a limited inventory of high turn-over products" is the nature of
 - a. Convenience store
 - b. Departmental Store
 - c. Specialty store
 - d. Discount store
3. Which of the following is not promotional pricing?
 - a. Low interest financing
 - b. Cash rebates
 - c. Product-form pricing
 - d. Special event pricing
4. Which one of the following is not a market logistics decision?
 - a. Order Processing
 - b. Warehousing
 - c. Transportation
 - d. Plant Location
5. Which one is tangible?
 - a. Travel by train
 - b. Treatment from hospital
 - c. Television bought
 - d. Television program
6. Which of the following does not fall under categories of new product development under acquisition route?
 - a. Acquire patents from other companies
 - b. Contract with independent researchers
 - c. Buy a license
 - d. Buy a franchise
7. Which of the following statements is not correct?
 - a. Psychological and social variables are important for understanding buying behavior
 - b. Price is the total cost of acquiring the product
 - c. Distribution is making products available to the customers in the quantities desired
 - d. Direct marketing is more useful when absolute margins are very large
8. In relation to advertising, USP stands for
 - a. Under Sold Product
 - b. Unique Selling Proposition
 - c. Unique Selling Preposition
 - d. Upper Society People
9. Which is the right order of hierarchy in the buying process comprising of activities :
 - i. Problem Recognition
 - ii. Evaluation of Alternatives
 - iii. Purchase Decision
 - iv. Information Search
 - v. Post Purchase Behavior
 - a. i, iv, ii, iii, v
 - b. i, ii, iii, iv, v
 - c. ii, I, iii, iv, v
 - d. iv, ii, I, iii, v
10. Which one of the following is not a criteria for identifying segments
 - a. Differential Response
 - b. Adequate Size
 - c. Accessibility
 - d. Direct Sales Opportunity

Part B

Answer any three (3 x 15 = 45)

1. What is marketing ethics? Why should marketers consider issues of social responsibility?
2. What are the major concepts of marketing?
3. How does the buyer make the purchasing decision?
4. What marketing strategies are appropriate at each stage of the market's evolution?
5. What factors should a company review before deciding for international marketing?

Part C

Case Study (3 x 15 = 45)

Companies cannot always depend on their customers' recognizing the value of their offer against their competitors' offers. Each company's offer may differ not only in price but also in its impact on the customer's operating cost, working capital cost, ordering cost, setup costs, financing costs and disposal costs. Sophisticated business-to-business companies use a tool called *Economic Value to the Customer (EVC)* to build up their customers' perceptions of value. EVC is calculated by comparing the product's total costs to the customer against the benefits of the product that the customer is currently using i.e. the reference product.

The table below illustrates how one company determined EVC. Suppose M/s ABC Ltd. is developing two products Y and Z, to compete with product X that a customer is currently using.

	Reference Product X	New Product Y	New Product Z
Manufacturers' cost to produce	-	Rs.250	Rs.300
Costs from the customer's point of view			
Post purchase costs (maintenance and operations)	Rs.500	Rs.300	Rs.400
Start up costs	Rs.200	Rs.100	Rs.200
Purchase Price	Rs.300	-	-
EVC	-	Rs.600	Rs.700
Total Life Cycle Costs	Rs.1000	Rs.1000	Rs.1300

New product Y performs the same functions as reference product X, but its startup costs and post purchase costs are only Rs.400 compared to Rs.700 for product X, yielding a saving of Rs.300 for the customer. Because the customer's current product X has life cycle costs of Rs.1000, the economic value that the new product Y offers the customer is Rs.600. It costs Rs.250 for M/s ABC Ltd. to produce one unit of product Y.

New product Z has more features or performance characteristics than product X or Y. These extra features of Z's have a perceived incremental value of Rs.300 when compared with the reference product. So, compared to the current product, Z saves Rs.100 in post purchase costs, resulting in an economic value to the customer of Rs.700. Thus Z provides a higher EVC than Y despite its higher post purchase costs because it provides additional customer value. It costs M/s ABC Ltd. Rs.300 to produce one unit of Z.

Use the table to answer the following:

1. What is the highest amount that a firm would be willing to pay for product Y? and for product Z?
2. The firm should set its price at a point between its costs and the EVC that is perceived by the customer. Assume that M/s ABC Ltd. adopts this practice for products Y and Z and sets the price of each at Rs.400 and Rs.475 respectively. How much profit will M/s ABC Ltd. will M/s ABC Ltd. Earn on each unit of Y and Z?
3. How can M/s ABC Ltd. use EVC to determine the market segments it should enter with its new products?
