

AP Degree Programme in Marketing Management  
Exam assignment 2<sup>nd</sup> semester 2018  
Testing in the 2nd semester learning objectives

## AP Degree Programme in Marketing Management

1st external case exam – interdisciplinary written exam

Written exam 7th June 2018 at 8.30am to 14.30pm

**The case company must not be contacted**

This paper consists of 4 exam questions and they are all included in the total assessment of the exam paper by the following indicative weighting:

Exam question 1: 40%

Exam question 2: 25%

Exam question 3: 25%

Exam question 4: 10%

Total: 100%

*The assessment of the 1st external examination is based on the learning objectives for the 2nd semester. Please notice that a SWOT analysis as well as segmentation and targeting, if any, comprising the learning objectives for the 1st semester is added to the appendix. Therefore, if a SWOT analysis is prepared it must be added to the appendix. This can be a good prerequisite for developing a well-founded marketing plan at a tactical as well as an operational level where the arguments for the content of the marketing plan are derived from the SWOT analysis. The SWOT analysis and segmentation and targeting must be added to the appendix because viewed separately it does not constitute the basis of assessment, but the content of the analysis is expected to be included in the reasoning for the suggested solutions in the marketing plan (where reference to the appendix is mentioned in the documentation).*

This exam paper consists of 4 pages including  
front page

6-hours' written case exam



ELKA Rainwear A/S (below referred to as ELKA) is a Danish company producing and importing rainwear primarily for the professional market. Knowhow is the company's most powerful asset. Employee experience from the very start of the company, coupled with a new momentum in the form of younger employees, ensures that ELKA remains flexible and innovative in the years to come. ELKA has production facilities in Europe allowing quick conversion and thus increased flexibility and better service for its customers. ELKA has expert knowledge of how to develop customized products for most industries and ELKA's focus is on the customer's individual needs.

For almost 20 years ELKA has had its own production plant in Lithuania. ELKA has also a good network of sub-suppliers in China and thus ELKA is continuously in close dialogue with its sub-suppliers. ELKA's main emphasis is on well-established sub-suppliers who do not compromise on quality.

**ELKA launches new product lines on an ongoing basis and the company has just launched a new product line ELKA FASHION designed for private consumers. This is a brand new addition to ELKA's existing product range.**

### **Assignment 1**

ELKA hopes that its new product line ELKA FASHION will increase its sales to private consumers on the Danish market.

In the sales and marketing department, they are working intensively on launching ELKA FASHION in the best possible way. They are among other things preoccupied with finding relevant distribution channels for ELKA FASHION. They are at an early stage and they are exploring several possible distribution channels.

**Choose a specific target group for ELKA FASHION and design a relevant and well-founded marketing mix with particular emphasis on product, price and distribution.**

### **Assignment 2**

ELKA's sales and marketing manager has asked you to design a promotion mix and an action plan, which he and the management team will discuss when they decide how to sell ELKA FASHION to private consumers on the Danish market.

**Based on your answers in assignment 1:**

**2.1. Prepare a relevant and well-founded promotion mix for ELKA FASHION on the Danish market.**

**2.2. Work out an action plan showing the activities you recommend on the Danish market.**

### Assignment 3

ELKA has been reconsidering the pricing of a new jacket, which will primarily, be sold to anglers, sailors and other consumers, who might appreciate ELKA's professional quality. Moreover, the sale of the jacket will primarily take place on the company's Danish web shop. Based on the current competitive environment and demand conditions on the market, the sales- and marketing department has estimated, that it is possible to sell 2.500 jackets annually, if the price is 800 DKK including VAT. Furthermore, the sales- and marketing department has estimated, that this price is on the same level as the pricing of the direct competitors. In extension hereof, the department has estimated, that an increase in price of 50 DKK will reduce the demand for the jacket with 250 units. Correspondingly, a decrease in the price of 50 DKK will increase the demand for the jacket with 250 units.

The demand for the new jackets can be expressed using the following table:

Price incl. VAT (DKK)	Sale (quantity)
950	1750
900	2000
850	2250
800	2500
750	2750
700	3000

The jacket has a cost price from the supplier of 400 kr. including shipping.

#### Assignment 3.1

**3.1.1** Calculate the price elasticity for ELKA at the price of 800 DKK incl. VAT, and discuss, how the sales- and marketing department can utilize the calculation of the price elasticity during its future budgeting process.

**3.1.2** Calculate the optimal price and quantity for ELKA, as well as the corresponding contribution margin. Discuss, in extension hereof, in which way price optimization can add value to the overall management accounting in the company.

**3.1.3** Discuss which others types of price calculation that can be utilized, and elaborate on the pros and cons connected to each type of identified price calculation.

The company website states, that ELKA is a supplier to a number of children's clothing manufacturers in Europe. Within the last 10 years, the suppliers have been forced to offer increasingly lucrative credit conditions – especially in light of the financial crisis.

The current economic situation is now in favor of ELKA. ELKA believes that their negotiation position (supplier power) has strengthened, and is now so strong, that they will be able to negotiate better credit conditions with a number of customers. The customers in average have a total annual turnover of 5.250.000 DKK, when buying ELKA's products. The entire turnover is sold on credit to customers. ELKA believes that it is possible to change the payment terms from 60 days + current month to 30 days.

### **Assignment 3.2**

Calculate the liquidity effect for ELKA, if the company succeeds in negotiating new payments terms with the customers.

### **Assignment 4**

Elka's advertising agency has suggested the following three elements for the campaign to launch Elka Fashion:

- Elka Fashion – a little better than other good rainwear
- Elka Fashion – leaves Helly Hansen standing in the rain
- Elka Fashion "Kids" - Yes, your dad CAN afford it! Just ask again!

**What is your legal assessment of the campaign?**