

Reexamination  
Exam Assignment: AP Degree in Marketing Management  
Winter Admission 2015: Semester 2  
Examination in Theme 4 and Theme 5

## **AP Degree in Marketing Management**

1<sup>st</sup> External Case Exam – Written Interdisciplinary exam

For release 28 January 2016 at 0830hrs  
Written exam 29 January 2016 from 0830hrs to 1430hrs

**The case company may not be contacted!**

The assignment consists of four questions. The four questions weigh as follows in the overall assessment of the answers.

Question 1: 50%  
Question 2: 20%  
Question 3: 10%  
Question 4: 20%

Total: 100%

The case assignment contains 3 pages, including cover page

Nobia is the company behind HTH, Invita and Unoform and other large kitchen brands in Scandinavia. The case company, HTH, is a significant player in the kitchen market in Denmark. In order to strengthen their position on the Danish market you are asked to answer the following questions:

### **Assignment:**

#### **Question 1 (50%)**

- Based on HTH marketing director Carl Kristian Birk's description of HTH target groups and competitors, information from documents and own research, you need to formulate a well-argued B2C marketing mix for HTH. Through the establishment of a marketing plan you should discuss how the marketing mix can be implemented. Besides you should make a marketing contribution budget showing the expected economic consequences of the marketing plan.

It may be assumed that the contribution margin ratio is 40 %. Besides you are informed that HTH's total revenue in 2015 was approximately 500 m DKK for B2C and B2B combined.

#### **Question 2 (20%)**

Please answer the following two questions based on HTH's terms and conditions,:

<http://www.hth.dk/kundeservice/salgs-leveringsbetingelser/>

- According to HTH's terms and conditions online customers have a 14-day return policy. Is it an extra service or something that is legally required?
- The terms and conditions states: "In return, the customer is responsible for ensuring that goods are packed safely. The customer bears the risk from the time of delivery of the goods." Why should the product be packaged securely when returned, and why is it the customer who bears the risk and not HTH?

#### **Question 3 (10%)**

- If you as a customer regret your purchase and wish return an HTH kitchen. Which of the following the logistics solution Post Denmark, GLS Parcel Shop or DSV Road will be most obvious and why?

#### **Question 4 (20%)**

HTH markets a kitchen element that is part of their kitchen solutions on both the B2C and the B2B segments. The customers in the B2B segment are typically professional landlords, housing cooperatives and private institutions. On the basis of sales statistics for this specific kitchen element, and an analysis of both customer potential and the competitive situation, the following sales budgets for the B2C and B2B segments for the year 2016 have been drafted:

*B2C sales budget (2016)*

<i>Revenue</i>	:	<i>2,500 units × 4,000 DKK</i>	=	<i>10,000,000 DKK</i>
<i>- Variable costs</i>	:	<i>2,500 units × 1,750 DKK</i>	=	<i>4,375,000 DKK</i>
<hr/>				
<i>Contribution margin</i>	:		=	<u><u><i>5,625,000 DKK</i></u></u>

*B2B sales budget (2016)*

<i>Revenue</i>	:	<i>2,000 units × 3,000 DKK</i>	=	<i>6,000,000 DKK</i>
<i>- Variable costs</i>	:	<i>2,000 units × 1,750 DKK</i>	=	<i>3,500,000 DKK</i>
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<i>Contribution margin</i>	:		=	<u><u><i>2,500,000 DKK</i></u></u>

The budgets above are based on the budget assumption that the disposable income in Denmark in 2016 will remain unchanged compared to 2015. This assumption stems from the fact that the disposable income in Denmark remained practically unchanged from 2014 to 2015. However, based on the latest prognoses, it seems unlikely that this budget assumption will hold as most experts expect an economic upswing in Denmark in 2016.

The Danish Economic Council, which should be seen as a valid source, expects a year-on-year increase in the disposable income of 2.7% in 2016.

HTH knows from experience that B2C customers are far more sensitive to changes in the disposable income than B2B customers. It is estimated that the income elasticity of demand of the B2C segment is roughly equal to 4, for products of this type. The income elasticity of demand of the B2B segment is judged to be equal to 2.

- Calculate how the expected increase in disposable income, all else being equal, will affect sales to the B2C and the B2B segments respectively. Update the sales budget with the new sales volumes and calculate the expected contribution margin for each segment.
- Discuss and explain which differences in buying behavior between B2C and B2B customers, that may cause the observed difference in income elasticity of demand between the segments.