CASE 1: Flour & Pasta

1) Considering F&P's increase in marketing expenses, what is expected to be its pasta value share[1] in 2009?

1 Value share = Revenues of a certain brand or company (R$M) / Sum of revenues of all the players in the market (R$M)

- ○ (a) 18%

- ○ (b) 19%

- ○ (c) 20%

- ○ (d) 23%

2) Considering F&P's brand positioning in the <u>southeast</u> region, in the <u>pasta</u> category, it is correct to say that...

○ (a) In order to gain market leadership, F&P should focus on its F&P's red brand, so as to conquer Pasta di Nona's tricolor, Pasta di Napoli's tricolori, and Pasta di Roma's tricolori market shares.

○ (b) Even though F&P doesn't own the brand which sells the most in volume (Pasta di Mamma tricolori), it's positioned as market leader in the region.

○ (c) Pasta di Puglia's tricolori and Pasta di Milano's tricolori present no threat to F&P's market position, as their low prices indicate they are low quality products.

○ (d) F&P should reduce F&P's blue's price in order to compete against Pasta di Puglia's tricolori and Pasta di Milano's tricolori, and it should increase F&P's green's price in order to compete against Pasta di Mamma tricolori.

3) If F&P managed to merge two of its <u>pasta</u> brands in the <u>southeast</u> region, <u>blue</u> and <u>green</u>, into a new brand, how much volume would it comprise? (Units: k ton, 2008)

    ○ (a) 70

    ○ (b) 80

    ○ (c) 180

    ○ (d) 500

4) Considering the <u>flour</u> category in the <u>southeast</u> region, what is F&P's price index[2] and value share (respectively) in 2008?

2 Price index = Price of a certain brand or company (R$/kg) / Average price of the whole market (R$/kg)

    ○ (a) 117%, 35%

    ○ (b) 117%, 45%

    ○ (c) 107%, 41%

    ○ (d) 107%, 35%

5) By looking at the evolution of the <u>flour</u> market over time, what is <u>correct</u> to say?

○   (a) F&P should lower its prices in order to gain market share, just like Great flour did.

○   (b) Even though Good flour lost volume share3, its volume sold (in k ton) hasn't decreased.

○   (c) The company which decreased prices gained volume share over the one which increased prices the most.

○   (d) The flour market grows quickly, so the only way for F&P to gain market share is by means of an acquisition of a competitor.

6) What was F&P's RMS in the <u>flour</u> category, in <u>2006</u> and <u>2008</u>(respectively)?

- RMS = relative market share
- If company is market leader RMS = company's value share / 2nd player's value share
- If company isn't market leader RMS = company's value share / leader's value share
- Note: Value share = Revenues of a certain brand or company (R$M) / Sum of revenues of all the players in the market (R$M)

     ○ (a) 2,76 and 3,69

     ○ (b) 2,76 and 1,71

     ○ (c) 1,84 and 3,69

     ○ (d) 1,84 and 1,71

7) Considering the expected market behavior of cake mixes, and F&P's current portfolio, which strategy would you recommend them?

○ (a) F&P should abandon flour, as it is a shrinking market, and focus solely in the rapidly growing cake mixes.

○ (b) F&P should invest more in ready-to- eat cakes than it does in flour and cake mixes, as they're the step the market should eventually take beyond cake mixes.

○ (c) F&P should invest in flour just enough so as to retain its market leadership, but focus on further developing its cake mix category.

○ (d) F&P should invest heavily in flour R&D, in order to prevent its market from shrinking.

CASE 2: TravelCo

8) Based on the estimate of TravelCo revenues and margins, what is <u>correct</u> to say?

○ (a) In terms of %, gross margins were the same in Y1 and Y3.

○ (b) Gross margins decreased 2% basis points between Y1 and Y2, mainly due to lower penetration of Domestic and LongHaul packages.

○ (c) TravelCo's total sales are increasing approximately 5% per year on average between Y1 and Y5. However, total gross margins have not changed.

○ (d) TravelCo reached highest gross margins (in %) in Y1.

9) **"What we see here is an increasing acceptance of sales on internet. People from all segments that we target are more willing to use it" – CEO TravelCo**
"Opening new stores is important for low income people" – Academic researcher
"To capture market share in Eco-Tourism and Groups it's really important to have a strong store network. On other hand, train tickets sell very well through the internet channel, as it is a standardized product, just like our current ones" – Marketing Director TravelCo

TravelCo has limited resources to develop new products and sales channels. Based on quotes and other provided charts, what is <u>correct</u> to say?

○ (a) TravelCo should focus on entering Eco Tourism market, as it should increase by 29% per year from Y5 to Y7. Simultaneously, TravelCo must develop its website, due to low cost and high acceptance of this sales channel.

○ (b) TravelCo should pursue a fasting growing network of stores because it is the only way to capture clients of Group Travel.

○ (c) TravelCo should enter on Train Tickets market, as it has best fit with current products and is the largest one. Simultaneously, TravelCo must develop its website, due to low cost and high acceptance of this sales channel. Moreover, developing Train Tickets is perfect aligned with strategy to develop the website.

○ (d) Staying focused on the core business (domestic and promo-packs) is the best strategy for TravelCo as they offer the highest margins among all cited products.

10) What is TravelCo's year 5 market share in the domestic packages market, considering its RMS? Please select the results that is closest

- o RMS = relative market share
- o If company is market leader à RMS = company's market share / second player's market share
- o If company isn't market leader à RMS = company's market share / leader's market share
- o ROS = Return on sales = Net Income (before interest and tax) / Sales

    ○ (a) 0,6

    ○ (b) 30%

    ○ (c) 20%

    ○ (d) 40%

11) What is <u>possible</u> to conclude about TravelCo's product portfolio?

- RMS = relative market share
- If company is market leader à RMS = company's market share / second player's market share
- If company isn't market leader à RMS = company's market share / leader's

    ◯ (a)TravelCo should get out of Bus Packages and focus efforts on gaining market share on more growth-promising products such as Cruises and LongHaul packages.

    ◯ (b) TravelCo should get out of Cruises and focus its efforts on more growth-promising products such as Domestic Packages and Bus Packages.

    ◯ (c) TravelCo should get out of Air Tickets and Bus Packages, due to its low market share in these segments.

    ◯ (d) Long Haul packages are the best investment option since it is where TravelCo has its highest market share.

12) What best describe the situation shown on graph 11?

○ (a) Number of Long Haul packages sold always increases when the number of stores does.

○ (b) Between Y3 and Y5, conversion rate of USD (American Dollars) against EUR (euro) decreased by ~40%, whilst package sales increased by 20% as a consequence of drop in store productivity (average sales per store).

○ (c) The depreciation of USD against EUR in last 2 years explains most of growth in sales in Y4 and Y5.

○ (d) Sales increased by 85% between Y1 and Y5, probably reflecting appreciation of USD, although store productivity increased only by ~7%.

13) It is possible to segment the market in three customer groups. Travel operators offer product lines for all segments. After analyzing the market segmentation and the product lines offered by the main players in the market, which is the best alternative?

○ (a) Flamingo Tours is a good acquisition option due to its strong position in the promotional packages market.

○ (b) TravelCo should merge with Flamingo in order to improve its presence in the Luxury segment.

○ (c) Super Holidays is a good acquisition option due to its strong position in the Mid-Price market.

○ (d) TravelCo should merge with Cool Travel to increase presence in the Economic segment.

14) Based on market segmentation and growth, it is _correct_ to say?

○ (a)Total market growth is 11% in Y6 and 17% in Y10. This fast growing rate is about to benefit more TravelCo, as it has the largest market share in all segments.

○ (b) Flamingo has the largest market share in the Luxury segment, which is going to be the largest market in Y10, closely followed by Mid-Price.

○ (c) Considering there is no change in market share position, Flamingo is going to benefit more from current growth trends.

○ (d) Considering all segments together, the group of "Others" is going to increase its relevance in the market due to a significant presence in all segments.

CEO's speech: "TravelCo has had a very strong focus on promo-packs. These packages have a stronger appeal among the economic segment, due to low prices."

Product Line Director Speech: "We are leaders in the Promo Packs market, but that has not made us leaders in profitability! Maybe it's time for us to rethink our customer strategy..."

Specialist 1 speech: "The luxury segment is the one where the customer requires more flexibility, and therefore more expensive products, such as greater choice of hotels and flights, better locations and more services available."

Specialist 2 speech: "Luxury packages may have higher costs, but at the same time offer higher margins, since customers are less price sensitive"

15) After listening to the CEO and the specialists, what can you say?

○ (a) TravelCo should focus on keeping leadership position in the Mid-Price segment, even though Nice Travel has a very strong position among these customers.

○ (b) In order to improve profitability, TravelCo should focus on increasing its participation in the luxury segment, where margins are higher, and try to cut costs in economic and mid-price segments.

○ (c) In order to improve market share, TravelCo should increase product offer to all customer segments, trying to gain market share in all segments at the same time.

○ (d) Since it is the market leader in Promo Packs, TravelCo should focus its efforts on increasing its product offer to the Economic segment.

ANSWER KEY:

Question	Answer	Question	Answer
1	A	9	C
2	B	10	C
3	A	11	A
4	B	12	D
5	C	13	B
6	D	14	C
7	D	15	B
8	D		