

Exam paper in Marketing Management, 2nd semester. Examination in Elements 4 and 5

## **Marketing Management**

1st external case-study exam - written interdisciplinary exam

Written exam 12 June 2019, 08.30-14.30

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

The exam paper consists of three assignments. The three assignments are weighted as follows in the overall assessment of the exam.

Assignment 1: 45%

Assignment 2: 15%

Assignment 3: 40%

Total 100%

*The assessment of the 1<sup>st</sup> external examination is based on the learning objectives for the second semester. A strategic analysis with focus on both internal and external conditions is part of the first semester curriculum and is not included in the learning objectives for the second semester. Therefore, if you make a strategic analysis with focus on both internal and external conditions it must be included in the appendix and it will not be considered as part of the assessment. It can be a good prerequisite to be able to present a well-established marketing plan at the tactical and operational level, where the arguments for contents of a marketing plan is retrieved from the situational analysis. A strategic analysis 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).*

The description of the assignment contains five pages

6-hour written exam



ECCO is one of the world's leading shoe brands, combining style and comfort. ECCO's success is built on products with a great fit and top-quality leathers. ECCO is a highly responsible company that owns and manages every aspect of the value chain from leather and shoe manufacturing to wholesale and retail activities. ECCO's products are sold in 99 countries from over 2,250 ECCO shops and more than 14,000 sales points. ECCO is family-owned, founded in Denmark in 1963, and employs 21,300 people worldwide. (ECCO press release)

In the past years, the ECCO Group has generated satisfactory results. However, in an article in the Danish paper Jyllands-Posten on 20 March 2019, the CEO of ECCO, Steen Borgholm says: "Our situation in Europe is not without challenges. The market for classic shoes does not grow very much".

In a stagnating market, it is important to unlock the sales potential of all relevant target groups. An interesting group of customers is children and young people in the age of 9-17. ECCO would like to focus on fashion conscious children and youngsters in the major cities of Denmark.

ECCO has hired you as a consultant. In the next 24 hours, it is your task to analyse and get an overview of ECCO's situation when it comes to selling sneakers to the 9-17 year group in the Danish market.

## **Assignment 1 – 45%**

### **1.1 Based on ECCO's range of sneakers, your task is to prepare a relevant and well-founded marketing mix aimed the target group described above**

ECCO would like an action plan for how its marketing effort should be in the coming year to increase the sale of sneakers to the target group desired.

### **1.2 Therefore, you should also prepare an activity plan with an overview of recommended activities and a budget for the marketing expenses anticipated. The activity plan should be split into four quarters. You should equally prepare a marketing communication product (for example ad, press release, brochure, etc.) that you enclose.**

## **Assignment 2 – 15%**

ECCO has also asked for legal assistance, and, accordingly, you have been asked to answer the following questions:

**2.1. ECCO would like to intensify its effort towards the 9-17 year olds. Your task is therefore to account for what ECCO should be specifically aware of when targeting children and youngsters.**

***Your answer should be legally justified.***

As sustainability is one of the trends of time, ECCO wants to be part of the "green wave".

**2.2. ECCO could choose to market its shoes for children and youngsters with slogans like "green", "sustainable", "and "the best and the coolest sneakers".**

***Please provide a legal assessment of the three slogans.***

One of ECCO's employees has suggested to pair up with a TV presenter who is well-known from children's and youngster's programmes. This presenter has more than 50,000 followers on Instagram. The idea is that the TV presenter should wear ECCO shoes that are clearly visible on Instagram. The TV presenter is interested but believes to have heard that certain rules about "covert advertising and something like that" must be followed. In ECCO, they also believe to have heard that there are certain rules about advertising on social media that must be adhered to.

**2.3 Please account for which rules ECCO and the TV presenter must be aware of?**

## **Assignment 3 – 40%**

In assignment 1.3, you prepared an activity plan and a marketing budget. ECCO would like a calculation of the financial benefit from carrying out the activities suggested.

**3.1 Please calculate break-even for the activities suggested in your activity plan. Your calculation should be based on a contribution ratio of 64.**

**3.2 Please also prepare a marketing budget that is based on justifiable expectations to increased revenue and costs (the marketing expenses you suggested). Your budget should be divided into quarters and should cover one year from now.**

**3.3 Moreover, the management would like you to calculate a safety margin. The safety margin should be calculated in figures as well as in percentages.**

The proposed initiatives will influence the overall result of the company. Therefore, ECCO would also like your help for preparation of a profit forecast, a cash flow forecast as well as a balance sheet forecast.

At the beginning of the budget preparation work, ECCO has prepared the below profit and loss account for 2017.

	EUR 000
Revenue	1,275,960
Raw materials and consumables	459,093
Gross profit	816,867
Staff and other external costs	575,602
Operating profit	241,265
Depreciation	50,694
Profit before financials	190,571
Net interest cost	6,735
Profit before tax	183,836
Income tax	45,555
Profit for the year	138,281

The management has prepared the following basis for budget for 2018:

1. The revenue is expected to increase by 10%
2. An increase in the gross profit margin from 64% to 66% is anticipated
3. Staff and other costs will go up by 2%
4. Depreciation and interest remain unchanged
5. The tax rate is 22%

### 3.4 Prepare a profit forecast for 2018

At the end of 2017, ECCO expects the balance sheet to look like this:

<b>Assets</b>	EUR000	<b>Liabilities</b>	EUR 000
Fixed assets	310,624	Share capital	666
Raw materials	70,576	Dividend proposed	94,000
Work in process	5,243	Retained earnings	497,457
Finished products	244,575	Shareholders equity	592,123
Trade receivables	123,285	Non controlling interests	98,881
Other receivables	63,276	Total equity	691,004
Cash	178,016	Long-term debt	81,709
Total current assets	684,971	Debt to suppliers	59,297
		Other current liabilities	163,585
		Current liabilities	222,882
<b>Total assets</b>	995,595	<b>Total liabilities</b>	995,595

For the preparation of the cash flow forecast for 2018, the ECCO management expects the following information to be realistic:

1. A 50% reduction in raw materials, work in process and finished products
2. The turnover ratio of trade receivables increases from 10 to 15.
3. Other receivables go down EUR 25,000,000

4. Dividend proposed for 2018 is EUR 60,000,000
5. There will be an increase in long-term debt as this type of debt is increased by EUR 30,000,000
6. Debt to suppliers is doubled
7. Other current liabilities remain unchanged
8. Fixed assets investment at EUR 20,000,000
9. Dividend proposed at EUR 60,000,000
10. Non-controlling interests remain unchanged

**3.5: Please prepare a cash flow budget for 2018 using the Financial position model.**

The above text is based on the following sources:

<http://media.ecco.com/GroupCommunication/ecco-annual-report-2018-press-release/> available from 25 March 2019

Ecco kræver større kontrol med det globale skosalg (*Ecco demands more control with global sale of shoes (unofficial translation)*) by Jesper Olesen, Morgenavisen Jyllandsposten – Erhverv, 20 March 2019, p. 6