
QUESTIONS CHAPTER TWENTY

1. The control system at Wal-Mart is an important reason for their success. Specifically, how has this system helped them become the largest retailer in the world? Wal-Mart's recent placement of stores in Canada, Mexico, South America, and Asia must have posed control problems for higher-level management. Discuss these problems and, in doing so, include your suggestions for ways of solving them.
2. MTS Systems Inc. is a relatively small manufacturer of measurement instruments used to monitor and control automated production processes in a number of different industries, such as autos and aerospace. The firm has 12 sales people, each of whom calls on companies in a particular industry. While the firm's sales have increased steadily in recent years, its profits have been relatively stagnant. One problem is that the firm has no information concerning the relative profitability of the various products it makes or the different customers to whom it sells. MTS Systems has hired you as a marketing consultant to design a *control system* that will enable the firm to evaluate its performance across the various items in its product line and the various segments of its market. As a marketing consultant, outline the major steps or activities you would recommend including in such a financial-based control system.
3. What specific types of *information* would have to be collected and evaluated in order to implement the control system you outlined in your answer to question 2? What sources could be used to obtain each necessary type of information?
4. After finishing your report, including the types of information needed (see question 3), you decide to add a section on control measures—used to evaluate the areas that drive the firm's success. These control measures could be used with the system you recommended. Outline the contents of this “addition,” making sure you give examples of your individual recommendations.
5. Discuss the relative advantages and limitations of the *full costing versus the contribution margin* approaches for determining the profitability of a specific item within a firm's product line. Which approach do you think is most commonly used by large, multi-SBU corporations? Why?
6. Use the data presented in Exhibit 20.6. As new marketing manager, you believe the product's net sales could be increased by \$250,000 by taking the following actions: (a) increase advertising by \$45,000, (b) add one more sales person at a total cost of \$60,000, and (c) improve delivery time to customers by spending an additional \$25,000 on order processing and warehousing for the product. If the product's cost of goods sold does not change, what would be the effect of these actions on the product's contribution margin? What would be the original effect on pretax profits?
7. An alternative to the actions described in question 6 would be to increase the advertising promotion budget by \$70,000 without making any changes in the sales force or the logistics system. It is estimated that such an increase in advertising would generate an additional \$130,000 in net sales. Which alternative should be adopted?
8. You are a marketing manager in an SBU of a large consumer food manufacturer. The SBU's general manager has asked you to conduct a *marketing audit* of the SBU as a basis for evaluating its strategic and operations strengths and weaknesses. What issues or areas of concern should be covered by your audit? After completing your

marketing audit, you are asked to develop a contingency plan for the SBU's major product line. Outline the plan you would recommend.

9. For each set of issues to be included in the audit you designed in your answer to question 8, specify the kinds of information you would need to collect and the major sources you might use to obtain that information.

10. When they saw the result of the *sales territory analysis* presented in Exhibit 20.10, the firm's top managers concluded that Barlow in territory 1 was not devoting sufficient effort to her job, since her performance was more than \$32,000 below quota. They have asked you—the firm's sales manager—to have a talk with Barlow and suggest a way to improve her performance. Do you agree that Barlow's performance is probably the result of too little effort on her part? Why or why not?

11. What other causes might be responsible for Barlow's failure to make quota? What additional information or analyses would you seek in order to determine what should be done to improve Barlow's future performance?