

XP Actuarial Practice Exam - SDM

Practice Exam SAMPLE - 2019



1. (10 points)

Robert Kaplan, the new CRO of Frenz, has identified a significant reputational risk for Frenz: there is a growing body of research suggesting that consuming significant quantities of sugar could be very bad for one's health. Furthermore, Frenz's five most popular drinks contain enough sugar that they would be deemed "bad" according to the IAMCSI (International Association to Monitor Consumer Sugar Intake). Robert suggests that the company should address this issue before its reputation gets damaged by negative publicity, which could lead to lower sales and a loss of revenue such as what is facing the soft drink industry.

(a) (3 points)

Explain whether this problem, from a customer standpoint, might be addressed using Behavioral Economics tools. Justify your answer.

During a meeting on this topic, Anthony Pirot, the Vice-President of Marketing, says:

"Robert, I have no idea where you are getting your information from! My team has never heard of this research and, trust me, if this was a legitimate threat we would have heard about it by now! The menu we have is selling extremely well and the industry as a whole has not been affected one bit by this so-called research! And even if there is a bit of negative press about the sugar content in our drinks, we have the best marketing team in the business - we can deal with a little negative press, that's nothing!"

(b) (3 points)

Identify three biases that Anthony and his team are demonstrating when assessing the risk in this situation. Justify your answers

David Gillet, CEO of Frenz, has sided with Robert Kaplan and agrees that this reputational risk needs to be addressed. However, he still believes that Frenz should offer the "regular" sugary version of its drinks to the consumers.

(c) (4 points)

Propose three solutions that utilize Behavioral Economics tools that might help Frenz alleviate this reputational risk. Justify how each option utilizes the principles of Behavioral Economics.