Marketing Management

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Marketing Management, Textbook Companion

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Part A: Multiple Choice Questions

This section consists of multiple-choice questions that test the student's understanding of the basic concepts discussed in the textbook. Answering these questions will help students quickly recollect the theories they've learnt and apply these to real-life business situations.

Part A: Multiple Choice Questions

1. Which of the following is defined as a state of felt deprivation of some basic satisfaction?
a. Need
b. Want
c. Demand
d. Product

2. Need family, product family, product class, product type are all elements of ________
a. Product hierarchy
b. Product mix
c. Product levels
d. New product development stages.

3. What is the term associated with the concept that involves a focus on transactions and building long-term, profitable customer relationships. In this the companies focus on their profitable customers, products and channels?
a. Focus marketing
b. Societal marketing
c. Relationship marketing
d. Marketing

4. Which of the following statements best explains the societal marketing concept?
a. The consumer will buy anything if it is cheap enough.
b. If a company manufactures a product of superior quality customers, by themselves, will come forward to buy the product.
c. A company has an ethical obligation towards society's long term welfare.
d. A company can sell anything it produces if it is promoted aggressively.

5. What is the concept which holds that consumers will favor those products that offer the most quality, performance or innovative features?
a. Production concept
b. Product concept
c. Marketing concept
d. Selling concept

6 Product planners need to consider the product on three levels. What is the most basic level that addresses the question: What is the buyer really buying?
a. Core product
b. Augmented product
c. Potential product
d. Expected product

7. What is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market called?
a. Marketing mix
b. Marketing environment
c. Marketing channels
d. None of these

8. What is the concept that holds that consumer will prefer products that are widely available and inexpensive called?
a. Production concept
b. Product concept
c. Marketing concept
d. Selling concept

9. The concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort. Which of the following concepts' is discussed above?
a. Production concept
b. Product concept
c. Marketing concept
d. Selling concept

10. "A customer wants a car whose operating cost, not its initial price, is low". This need comes under which category?
a. Stated need
b. Real need
c. Unstated need
d. Secret need

11. The difference between total customer value and total customer cost is known as ___________.
a. Customer delivered value
b. Total customer value
c. Total customer cost
d. None of the above

12. What is the organization-wide approach to continuously improve the quality of all its processes, products, and services called?
a. Quality organization
b. Quality maintenance
c. Total quality management
d. None of the above

13. What is the totality of the characteristics & features of a product or service that bear on its ability to satisfy stated or implied needs called?
a. Quality
b. Quality management
c. Neither of a & b
d. Either of a & b

14. What is the type of marketing in which the company salesperson contacts the customer from time to time with suggestions about improved product uses or helpful new products called?
a. Reactive marketing
b. Basic marketing
c. Accountable marketing
d. Proactive marketing

15. Which of the following are the stakeholders of a company?

a. Customers

b. Employees

c. Suppliers

d. All the above

16. A person, household, or company that overtime yields a revenue stream that exceeds (by an acceptable amount) the company's cost stream of attracting, selling, and servicing the customer is termed as

a. Profitable customer

b. Prospective customer

c. Productive customer

d. Star customer

17. "The company works continuously with the customer to discover ways to perform better" is a type of which marketing?

a. Reactive marketing

b. Proactive marketing

c. Partnership marketing

d. Accountable marketing

18. Michael porter of Harvard proposed the value chain as the tool for identifying ways to create more customer value. The activities included in this are

a. Only inbound & outbound logistics

b. Inbound, outbound logistics, operations

c. Inbound, outbound logistics, operations, marketing sales & service

d. None of the above

19. Which of the terms is not associated with customer relationship marketing?

a. Suspects

b. Prospects

c. Disqualified prospects

d. Productive prospects

20. In BCG Matrix, What is the term given to a company that operates in a high-growth market but have low relative market share?

a. Question marks

b. Stars

c. Cash cows

d. Dogs

21. In BCG Matrix, what does a question-mark become when the business is successful?

a. Question mark

b. Stars

c. Cash cows

d. Dogs

22. In BCG Matrix, what is the term given to the company having high market share and a less market growth?
a. Question mark
b. Stars
c. Cash cows
d. Dogs

23. In BCG Matrix, what is the term coined for a company with low-growth markets and weak market shares?
a. Question markets
b. Stars
c. Cash cows
d. Dogs

24. Which of the following steps are included in the marketing process?
a. Analyzing market opportunities and developing marketing strategies
b. Planning marketing programs
c. Organizing, implementing and controlling the marketing efforts
d. All the above

25. Which of the following is not the key macro environment forces?
a. Economy
b. Technology
c. Politics
d. Climate

26. Microenvironment consists of __________.
a. Customers
b. Competitors
c. Distributors and suppliers
d. All the above

27. Which is the correct sequence of elements of McKinsey 7-S framework for business success?
a. Strategy, Security, structure, systems, style shared values, staff
b. Strategy, structure, social, systems, style shared values, staff
c. Strategy, skills, simplicity, structure, style, shared values, staff
d. Strategy, structure, systems, style, staff, skills, shared values

28. What is the term given to the alliance in which "Ariel" washing powder recommends "Whirlpool" washing machine to get cleaner clothes?
a. Product or service alliance
b. Promotional alliance
c. Logistic alliance
d. Pricing collaboration

29. The system that consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers is known as
a. Marketing research
b. Marketing intelligence system
c. Marketing information system
d. None of the above

30. What is a system that consists of a set of procedures and sources which are used by managers to obtain everyday information about developments in the marketing environment called?
a. Marketing research
b. Marketing intelligence system
c. Marketing information system
d. None of these

31. Which is the correct sequence of steps of the marketing research process?
i. Define the problem and research objective
ii. Developing the research plan
iii. Presenting the finding to management
iv. Collecting the information
v. Analyzing the information

a. i, ii, iii, iv & v
b. i, ii, iv, v & iii
c. ii, iv, iii, i & iv
d. i, iii, iv, ii & v

32. Which of the following is not a tool used for collecting primary data?
a. Observational research
b. Focus-group research
c. Surveys
d. None of the above

33. Which of the following are the main research instrument/s used in collecting primary data?
a. Questionnaires
b. Mechanical instruments
c. Both of the above
d. Neither of the two

34. Why do many companies fail to use marketing research sufficiently or correctly?
a. A narrow conception of MR
b. Uneven caliber of MR
c. Personality and presentation differences
d. All the above

35. The total volume that would be bought in a defined geographical area in a defined time period, in a defined marketing environment under a defined marketing program is known as
a. Market potential
b. Market demand
c. Company demand
d. None of the above

36. The limit approached by market demand, as the industry marketing expenditures approaches infinity for a given marketing environment is known as
a. Market demand
b. Sales quota
c. Market potential
d. Company demand

37. What is the expected level of company's sales which is based on a chosen marketing plan and an assumed marketing environment known as?
a. Market demand
b. Company demand
c. Sales quota
d. Company sales forecast

38. Usually, researchers start their research by collecting, which type of data?
a. Primary data
b. Secondary data
c. Neither of the two
d. Both

39. Which of the following is not a component of demographic environment?
a. Population growth
b. Educational levels
c. Existence of sub cultures
d. Ethnic markets

40. Which type of differentiation is a company creating by offering features or performance not offered by competitors?
a. Product differentiation
b. Perceptual differentiation
c. Personnel differentiation
d. Image differentiation

41. Which of the following trend in the technological environment, the marketer should monitor?
a. The pace of change
b. The opportunities for innovation
c. Varying R&D Budget
d. All of the above

42. Society shapes our __________.
a. Beliefs
b. Values
c. Norms
d. All the above

43. What do you think is/are the main purpose/s of business legislation?
a. To protect companies from unfair competition
b. To protect consumers from unfair business practices
c. To protect the interests of society from unbridled business behavior
d. All the above

44. In 1977, Coca-Cola and IBM were thrown out of India. This situation can be discussed under which of the following environments?
a. Demographic environment
b. Political-legal environment
c. Economic environment
d. Natural environment

45. Ethnic markets come under which environment?
a. Socio-economic environment
b. Demographic environment
c. Political-legal
d. Natural environment

46. Groups with shared values emerging from their special life experiences or circumstances is known as
a. Cultures
b. Sub cultures
c. Ethics
d. Beliefs

47. What is the most fundamental determinant of persons' wants and behavior called?
a. Culture
b. Sub culture
c. Social class
d. None of the above

48. These are relatively homogeneous and enduring divisions in a society, which are hierarchically ordered, and whose members share similar values, interests, and behavior. What is this?
a. Culture
b. Sub culture
c. Social class
d. Class

49. It consists of all the groups that have a direct (face-to-face) or indirect influence on the person's attitudes or behavior. What is it?
a. Reference group
b. Membership groups
c. Social groups
d. All the above

50. Which type of advertising is required to market products in the maturity stage?
a. Persuasive advertising
b. Informative advertising
c. Reminder advertising
d. Comparative advertising

51. What is a person's pattern of living in the world as expressed in his activities, interests, and opinion called?
a. Style
b. Life style
c. Society
d. None of the above

52. What is the term that denotes successful, sophisticated, active, "take-charge" people, whose purchases often reflect cultivated tastes for relatively upscale, niche-oriented products?
a. Believers
b. Strivers
c. Actualizers
d. Makers

53. These people are conservative, conventional, and traditional. They favor similar products and established brands. They come under which of the group?
a. Actualizers
b. Believers
c. Strivers
d. Makers

54. What are the elderly, resigned, passive, concerned, resource constrained people, who are cautious consumers and are loyal to favorite brands known?
a. Believers
b. Strivers
c. Makers
d. Strugglers

55. What is the distinguishing psychological characteristic of a person that lead him to a relatively consistent and enduring responses to the environment known?
a. Personality
b. Psychological factors
c. Motivation
d. None of the above

56. What is the theory that assumed that the psychological forces shaping people's behavior are largely unconscious, and that a person cannot understand his or her own motivations?
a. Maslow's theory
b. Herzberg's theory
c. Freud's theory
d. None of the above

57. What is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world known?
a. Perception
b. Motivation
c. Attitude
d. Belief

58. The tendency to twist information into personal meanings and interpret information in a way that will fit the person's preconceptions is known as
a. Selective attention
b. Selective distortion
c. Selective retention
d. None of the above

59. What is the process that involves change in an individual's behavior that arises from experience known?
a. Attitude
b. Belief
c. Learning
d. None of the above

60. The descriptive thought that the person holds about something is known as
a. Attitude
b. Belief
c. Perception
d. Learning

61. The person's enduring favorable or unfavorable evaluations emotional feelings, and action tendencies toward some idea or object is known as
a. Attitude
b. Belief
c. Perception
d. Learning

62. What is the decision-making process by which formal organizations establish the need for purchased products and services, then identify, evaluate, and choose among alternative brands and suppliers known as
a. Organizational buying
b. Consumer market decision
c. Business market decision
d. None of the above

63. Which type of problem solving do consumers adopt when they buy a brand that they have purchased before?
a. Limited problem solving (LPS)
b. Routine problem solving (RPS)
c. Extensive problem solving (EPS)
d. Any of the above

64. Which of the following characteristics of business markets contrast sharply with the consumer markets?
a. Fewer buyers
b. Geographically concentrated
c. Derived demand
d. All the above

65. Identify the buying situation in which a purchasing department reorders on a routine basis (e.g. Office supplies, bulk chemicals, etc.), or the buyer chooses from suppliers on an “approved list”?
a. Modified Rebuy
b. Straight Rebuy
c. New task
d. None of the above

66. Business buyers respond to which of the main influences?
i. Environmental
ii. Organizational
iii. Interpersonal
iv. Individual

a. Only i
b. Only ii and iii
c. i and iii
d. All i, ii, iii, iv

67. Which of the following is not a part of institutional market
a. Schools
b. Hospitals
c. Nursing homes
d. Households

68. The organizational buying process consist of which of the following stages?
i. Problem recognition, general need description
ii. Product specification, suppliers search
iii. Proposal solicitation, supplier selection
iv. Order-routine specification, performance review

a. Only i and ii
b. i, iii, & iv
c. i, ii, & iv
d. All i, ii, iii, iv

69. What are the group of firms that offer a product or class of products that are close substitutes for each other known as?
a. A company
b. A firm
c. An Industry
d. All the above

70. Which of the characteristics describe the level of competition in a industry/market?
a. Pure monopoly
b. Oligopoly
c. Monopolistic and pure competition
d. All the above

71. A competitor who reacts swiftly and strongly to any assault is known as
a. The laid back competitor
b. The selective competitor
c. The tiger competitor
d. The stochastic competitor

72. The four steps in designing a competitive intelligence system are in which of the following sequence?
i. Collecting the data
ii. Evaluating and analyzing the data
iii. Setting up the system
iv. Disseminating information and responding

a. i, ii, iii, iv
b. iv, iii, ii, i
c. iii, i, ii, iv
d. ii, iv, iii, i

73. Which of the following help the managers to reveal the company's strengths and weaknesses against various competitors?
a. Strong versus weakness analysis
b. Customer value analysis
c. Competitive analysis
d. None of the above

74. A company duplicates the leader's product and package and sells it in the black market or through disreputable dealers. Such company is known as
a. Cloners
b. Imitator
c. Counterfeiter
d. Adapter

75. This consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitude, or buying habits. This is known as
a. Target market
b. Market segment
c. Niche market
d. None of the above

76. Which of the following is/ are the steps in identifying market segments?
a. Analysis
b. Survey
c. Profiling
d. All the above

77. Buyers are divided into different groups basing on life styles. This comes under which type of segmentation?
a. Demographic segmentation
b. Psycho graphic segmentation
c. Behavioral segmentation
d. None of the above

78. "Benefits" form the basis for which segmentation approach?
a. Demographic
b. Behavioral
c. Psychographic
d. None of the above

79. Consumers who shift from one brand to another are known as
a. Hard-core loyal
b. Split loyal
c. Shifting loyal
d. Switchers

80. Geoclustering comes under __________.
a. Geographic segmentation
b. Multi-attribute segmentation
c. Both a & b
d. Neither a nor b

81. Which type of customers while starting their purchasing relationship, want easy-to-read manuals, a high level of training, and knowledgeable sales representatives?
a. First-time prospects
b. Sophisticates
c. Novices
d. None of the above

82. Buyers who see the product as very important to their operations. They are price and service sensitive. They receive about a 10% discount and above-average service. They are knowledgeable about competitive offerings and are ready to switch for a better price, even at the sacrifice of some service. Who are these buyers?
a. Transaction buyers
b. Programmed buyers
c. Relationship buyers
d. Bargain hunters

83. What is the term given to the company that serves small market segment not being served by the larger firms?
a. Market Leader
b. Market Follower
c. Market Nichers
d. Market Challenger

84. What is the firm that attacks the market leader and other competitors in an aggressive bid for more market share called?
a. Market Leader
b. Market Nicher
c. Market Follower
d. Market Challenger

85. Which of the following is an act of designing a set of meaningful differences to distinguish the company's offerings from competitor's offerings?
a. Positioning
b. Differentiation
c. Value proposition
d. None of the above

86. A measure of the probability that a product will not malfunction or fail within a specified time period is termed as
a. Conformance quality
b. Durability
c. Reliability
d. Reparability

87. A bank plans to gain competitive advantage by providing speedy service. This is an example of which type of differentiation?
a. Product
b. Services
c. Idea
d. Physical evidence

88. Which of the following strategies is a marketer using when he chooses to target an entire market by combining some segments?
a. Undifferentiated marketing
b. A combination strategy
c. Concentrated marketing
d. Differentiated marketing

89. What is the act of designing the company's offering and image to occupy the distinctive place in the target market's mind known?
a. Positioning
b. Promotion
c. Marketing
d. None of the above

90. The strategic coordination of economic; psychological, political, and public-relations skills to gain the cooperation of a number of parties in order to enter or operate in a given market is known as
a. Meta marketing
b. Undifferentiated marketing
c. Mega marketing
d. None of the above

91. What is the term associated with the situation when the firm ignores market-segment differences and goes after the whole market with one market offer?
a. Meta marketing
b. Undifferentiated marketing
c. Marketing
d. None of the above

92. A consumer think that diamond rings at De Beers are very expensive, but, the rings are at quite affordable prices. This is an example of which type of positioning error?
a. Under positioning
b. Over positioning
c. Confused positioning
d. Doubtful positioning

93. Which of the following statements about product life cycle is/are true?
i. Products have limited life
ii. Product sales pass through distinct stages, each posing different challenges, opportunities, and problem to the seller
iii. Profits rise and fall at different stages of product life cycles
iv. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each stage of their life cycle

a. Only i is true
b. Only ii & iii are true
c. i, iii, iv are true
d. All are true

94. The-product life cycle follows which of the following sequence of stages?
a. Introduction, Growth, Decline, Maturity
b. Introduction, Maturity, Growth, Decline
c. Growth, Maturity, Decline, Introduction
d. Introduction, Growth, Maturity, Decline

95. Ramsay Systems has launched an external storage drive (Magic pen) that can be plugged into the USB port of a computer. In which stage of the product life cycle is magic pen likely to generate the maximum revenue for the company?
a. Growth stage
b. Introduction stage
c. Decline stage
d. Maturity stage

96. Which strategy makes sense when the market is large, the customers are unaware of the product, buyers are price sensitive, strong competition and the unit manufacturing costs fall as the company attains economies of scale due to experience?
a. Rapid skimming
b. Slow skimming
c. Rapid penetration
d. Slow penetration

97. All of the following are company strategies in declining industries, except one
a. Increasing the firm’s investment (to dominate the market or strengthen its position)
b. Maintaining the firm’s investment level until the uncertainties about the industry are resolved
c. “Milking” the firm’s investment to recover cash quickly
d. Increase promotional support

98. Which of the following is/are the reason(s) for the failure of new products?
a. A high-level executive pushes a favorite idea through in spite of negative market research finding
b. The product is not well designed
c. The idea may be good, but the market is over estimated
d. All the above

99. Which of the following is the last stage in the new product development process?
a. Idea generation
b. Market testing
c. Commercialization
d. Product development

100. Which of the following is not an idea generation technique?
a. Brain storming
b. Forced relationships
c. Morphological analysis
d. Cost benefit analysis

101. Identify the new product development stage that involves preparing an estimate of sales, costs and profits?
a. Idea generation stage
b. Business analysis stage
c. Concept development stage
d. Market testing stage

102. Which of these is not a factor that hinders new-product development?
a. Shortage of important ideas in certain areas
b. Social and governmental constraints
c. Costliness of the development process
d. None of the above

103. Which of the following is the correct sequence of stages in the new-product development process?
a. Idea generation, concept development & testing, Screening, market strategy development, product development, markets testing, and commercialization
b. Screening, market strategy development, business analysis, product development, market testing, and commercialization
c. Idea generation, Idea screening, business analysis, concept development and testing, market strategy development, product development, markets testing, and commercialization
d. Idea generation, screening, concept development & testing, Marketing strategy development, business analysis, product development, market testing, and commercialization

104. What is “the spread of a new idea from its source of invention or creation to its ultimate users or adopters” known as?
a. Innovation
b. Diffusion
c. Innovation diffusion process
d. None of the above

105. What is the stage in the innovation diffusion process when the consumer is stimulated to seek information about the innovation?
a. Evaluation
b. Trial
c. Adoption
d. Interest

106. Which of the following is not a psychological factor that influences consumer behavior?
a. Attitude
b. Perception
c. Peers
d. Learning

107. "Alpha" and "Beta" testing are usually used in
a. Consumer good market testing
b. Business-goods market testing
c. Controlled test marketing
d. Stimulated test marketing

108. Which test marketing approach calls for finding 30 to 40 qualified shoppers and questioning them about brand familiarity and preferences in a specific product category?
a. Sales-wave research
b. Simulated test marketing
c. Controlled test marketing
d. Test markets

109. In which type of research is the consumers who initially try the product at no cost are reoffered the products or a competitor's product, at slightly reduced price?
a. Sales-wave research
b. Controlled test marketing
c. Stimulated test marketing
d. Test markets

110. "A carpet company installs free carpeting in several homes in exchange for the homeowner's willingness to report their likes and dislikes about the carpeting". This is an example of __________.
a. Consumer testing
b. Market testing
c. Product testing
d. None of the above

111. Which of the following is/are the factor(s) that draw companies into the International arena?
a. The company needs a larger customer base to achieve economies of scale
b. The company wants to reduce its dependence only on one market
c. The company's customers are going abroad and require International servicing
d. All the above

112. What are the goods that the customer usually purchases frequently, immediately, and with a minimum effort called?

a. Shopping goods
b. Specialty goods
c. Convenience goods
d. Unsought goods

113. Furniture, clothing & music cassettes come under which classification of goods?

a. Convenience goods
b. Specialty goods
c. Shopping goods
d. Unsought goods

114. Cars, photographic equipments, men's suits, etc. come under which classification of goods?

a. Unsought goods
b. Specialty goods
c. Convenience goods
d. Shopping goods

115. The number of variants that are offered of each product in the line is called ____________.

a. Width of the product mix
b. Length of the product mix
c. Depth of the product mix
d. Consistency of the product mix

116. The total number of items in the product mix is called __________.

a. Width of the product mix
b. Length of the product mix
c. Depth of the product mix
d. Consistency of the product mix

117. Which of the product mix variables explains the relationship between the various product lines offered by a company?

a. Depth
b. Width
c. Length
d. Consistency

118. A group of products that are closely related because they perform similar functions, are sold to the same customer groups, are marketed through the same channels or fall within a particular price range is known as _________

a. Product mix
b. Product length
c. Product width
d. Product line

119. A company carries 5 product lines and the average depth of each line is 8 items. What is the length of the product mix?
a. 13
b. 40
c. 26
d. 80

120. A name, term, sign, symbol, or design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors is known as
a. Attribute
b. Brand
c. Product
d. None of the above

121. Brands can convey cues relating to ____________.
a. Attributes
b. Benefits
c. Values
d. All the above

122. When two or more well-known brands are combined in an offer and each brand sponsor expects that the other brand name will strengthen preference of purchase intention. This phenomenon is known as __________
a. Multi branding
b. Co-branding
c. New brand
d. None of the above

123. Which of the following factor(s) contribute to packaging's growing use as a marketing tool?
a. Self service
b. Consumer affluence
c. Company and brand image
d. All the above

124. Which of the following is/are the functions of labels?
a. The label identifies the product or brand
b. The label grade the product
c. The label describe the product
d. All the above

125. Which of the following are the characteristics of services?
a. Intangibility
b. Inseparability
c. Variability and Perishability
d. All the above

126. Which of the following task(s) should a service organization perform for marketing its services?

i. It must differentiate its offer, delivery, or image

ii. It must manage service quality in order to meet or exceed customer's expectation

iii. It must manage worker productivity by getting its employees to work more skillfully

a. Only i

b. Only i & ii

c. Only iii

d. All i, ii, iii

127. Which of the following are determinants of service quality?

i. Reliability

ii. Responsiveness

iii. Assurance

iv. Empathy

v. Tangibles

a. Only i & iii

b. i, ii, iii

c. ii, iv, v

d. All the above

128. A hotel offers a free sight seeing package, which is inclusive in its boarding charges. This offer can come under which service feature?

a. Primary service feature

b. Secondary service feature

c. Both a & b

d. None of the above

129. Service contracts can also be called as___________

a. Extended warrantees

b. Guarantees

c. Either a or b

d. None of the above

130. Customers want separate prices for each service element and have the right to select the element they want. What is this phenomenon known as?

a. Service contracts

b. Service unbundling

c. Service choices

d. None of the above

131. Which of the following strategy/ies can produce a better match between demand and supply in a service industry?

a. Differential pricing

b. Complementary services

c. Part time employees

d. All the above

132. The physician may keep visiting the patient to show care, but the patient may interpret this as an indication that something is really wrong. This is an example of _________.

a. Gap between consumer expectation and management perception
b. Gap between service-quality specification and service delivery
c. Gap between perceived service and expected service
d. Gap between service quality specifications and service delivery

133. Any offering that consists of equal parts of goods and services is known as:

a. Pure tangible goods
b. Pure service
c. Tangible good with accompanying services
d. Hybrid good

134. Which of the following is a distinct unit within a brand or product line that is distinguishable by size, price, appearance or some other attribute?

a. Product item
b. Brand
c. Product class
d. Product family

135. What is the sequence of steps in setting a firm's pricing policy?

a. Selecting a pricing method, estimating cost, determining demand, analyzing competitors costs prices and offers, selecting a pricing objective, selecting the final price
b. Determining demand, estimating costs, analyzing competitor's costs, prices, and offers, selecting a pricing objective, selecting a pricing method selecting the final price
c. Selecting the price objective, determining demand, estimating cost, analyzing competitor's cost, prices, and offers, selecting a pricing method, selecting the final price
d. Selecting the pricing method, Determining demand, estimating costs, analyzing competition' costs, prices and offers, selecting the pricing objective, selecting final price

136. Which of the following statements describes the unique-value effect?

a. Buyers are more price sensitive when the product is more distinctive
b. Buyers are less price sensitive when the product is more distinctive
c. Buyers are less price sensitive when the product is less distinctive
d. None of the above

137. What is sunk-investment effect?

a. Buyers are less price sensitive when they are less aware of substitutes
b. Buyers are less price sensitive when part of the cost is borne by another party
c. Buyers are less price sensitive when the product is used in conjunction with assets previously bought
d. None of the above

138. In which of the following conditions is demand likely to be less elastic?
a. They are few or no substitutes or competitors
b. Buyers do not readily notice the higher prices
c. Buyers are slow to change their buying habits and search for lower prices
d. All the above

139. What is the term associated with the practice in which the seller receives some percentage of the payment in cash and the rest in products?
a. Barter
b. Compensation deal
c. Buyback arrangement
d. Offset deal

140. Pepsi co sells its cola syrup to Russia for Rubles and agrees to buy Russian Vodka at a certain rate for sale in the U.S. This practice is known as
a. Barter
b. Compensation deal
c. Offset deal/countertrade
d. None of the above

141. Which of the following is/are types of promotional pricing?
a. Loss leader pricing
b. Special event pricing
c. Cash rebates
d. All the above

142. The company maintains its price but removes or prices separately one or more elements that were part of the former offer, such as free delivery or installation. What is this phenomenon known as?
a. Escalator clauses
b. Unbundling
c. Reduction or discounts
d. None of the above

143. Two-part pricing and by-product pricing are which type of pricing?
a. Product mix pricing
b. Promotional pricing
c. Discriminatory pricing
d. None of the above

144. Which type of distribution involves a manufacturer selling directly to the final customer?
a. Zero-level channel
b. One level channel
c. Two-level channel
d. Three-level channel

145. Which of the following are included in the service output levels desired by the target customers?

i. Lot size
ii. Waiting time
iii. Spatial convenience
iv. Product variety
v. Service back up

a. Only i & ii
b. Only i, iii, iv
c. iii, iv, v
d. i, ii, iii, iv, v

146. What is the marketing system, in which two or more unrelated companies, put together resources or programs to exploit an merging marketing opportunity?

a. Vertical marketing system
b. Horizontal marketing system
c. Multichannel marketing system
d. None of the above

147. What type/s of conflict usually exist when the manufacturer has established two or more channels that sell in the same market?

a. Vertical Channel conflict
b. Horizontal Channel conflicts
c. Multichannel conflict
d. Any of the above

148. What are probable sources of channel conflicts?

a. Goal incompatibility
b. Poorly defined roles and rights
c. Perceptual differences
d. All the above

149. Which of the following strategies is a marketer using when he chooses to target an entire market by combining some segments?

a. Undifferentiated marketing
b. A combination strategy
c. Concentrated marketing
d. Differentiated marketing

150. Which of the following is not a type of buying situation?

a. New task
b. Modified rebuy
c. Automatic rebuy
d. Straight rebuy

151. The people who decide on product requirements or on suppliers are known as _________.

a. Deciders
b. Approvers
c. Gatekeepers
d. Influencers

152. If a market leader stretches its domain over new territories that can serve as future centers for defense and offense, then this type of defensive strategy is known as _____________.

a. Counteroffensive defense
b. Preemptive defense
c. Mobile defense
d. Position defense

153. A tooth paste marketer has segmented his markets (customers) as freshness seekers, dental health seekers, etc. Which type of segmentation is the company following?

a. Demographic segmentation
b. Geographic segmentation
c. Psychographic segmentation
d. Benefit segmentation

154. Which of the following is not a base for segmenting consumer market?

a. Demographic segmentation
b. Psychographic segmentation
c. Behavioral segmentation
d. Physiological segmentation

155. Which of the following is not a stage in the adoption process of a new product by consumers?

a. Evaluation
b. Interest
c. Analysis
d. Trial

156. Which of the following is a type of wholesaler?

a. Merchant wholesaler
b. Brokers
c. Agents
d. All the above

157. “Factory outlet” is an example of which type of retail store?

a. Convenience stores
b. Discount stores
c. Off price stores
d. None of the above

158. A cluster of stores, usually housed in one long building, serving a neighborhood's needs for groceries, hardware, laundry, shoe repair, and dry cleaning etc is known as

a. Regional shopping centers
b. Strip malls
c. Community shopping centers
d. None of the above

159. Which of the following is/are not the quality/ies of a typical advertising?

a. Public presentation
b. Pervasiveness
c. Amplified expressiveness
d. High credibility

160. The appeal of public relations and publicity is/are not based on which of the following quality/ies?

a. High credibility
b. Ability to catch buyers off guard
c. Dramatization
d. Amplified expressiveness

161. Which of the following is/are not sales-promotion tool(s)?

a. Coupons
b. Contests
c. Premiums
d. News articles

162. Which of the following is/are the distinctive benefits of sales/promotion?

a. Providing information to the consumer
b. Providing incentives to the consumer
c. Invitation for transaction
d. All the above

163. Which of the following can be called as form(s) of direct marketing?

a. Direct mail
b. Telemarketing
c. Internet marketing
d. All the above

164. Which of the following is not a characteristic of direct marketing?

a. Message addressed to specific person
b. Message is prepared to appeal to the addressed individuals
c. A message can be prepared very quickly
d. None of the above

165. Which of the following is/are the function(s) performed by advertising?
a. Awareness building
b. Comprehension building
c. Lead generation
d. All the above

166. The strategy that involves the manufacturer using sales force and trade promotion to induce intermediaries to carry, promote, and sell the product to end users is called __________.
a. Pull strategy
b. Push strategy
c. Any of the two
d. None of the two

167. What is the strategy that involves the manufacturer using advertising and consumer promotion to induce consumers to ask intermediaries to order the products?
a. Push strategy
b. Pull strategy
c. Any of the two
d. None of the above

168. A company is said to be over positioning when it gives customers
a. too narrow a picture of itself
b. too broader picture of itself
c. confused view of he company
d. None of the above

169. Which of the following refer to a product's position?
a. The way a product is defined by consumers
b. The way a product is defined by competitors
c. The way a product is defined by the seller
d. The way a product is described in advertisements

170. Which of the following techniques would be the most valuable aid for product positioning?
a. Cluster analysis
b. Perceptual maps
c. Scatter diagrams
d. Attribute scaling

171. This type of advertising figures heavily in the pioneering stage of a product category, where the objective is to build primary demand. What is the category of advertising described above?
a. Informative advertising
b. Persuasive advertising
c. Comparative advertising
d. Reminder advertising

172. Which of the following factor(s) is/are to be considered while setting the advertising budget?
a. Stage in the product life cycle
b. Market share and consumer base
c. Advertising frequency
d. All the above

173. The qualitative value of an exposure through a given medium is known as
a. Reach
b. Frequency
c. Impact
d. None of the above

174. Which of the following is known to consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumer or the trade?
a. Sales promotion
b. Advertising
c. Personal selling
d. None of the above

175. Which of the following is/are the reason(s) that persuade a marketer to select a particular trade promotion tool?
a. To persuade the retailer and wholesaler to carry the brand
b. To persuade the retailer or wholesaler to carry more units than the normal amount
c. To induce retailer to promote the brand by featuring, display, and price reduction
d. All the above

176. Which of the following involves a variety of programs designed to promote or protect a company's image or its individual product?
a. Sales promotion
b. Advertising
c. Public relations
d. Personal selling

177. What is the correct sequence of steps in an advertising program?
i. Setting the advertising objectives
ii. Establish a budget that takes into account stage in product life cycle market share and consumer base, competition, clutter, advertising frequency and product substitutability
iii. Choose the advertising message, determine how the message will be generated, evaluate alternative message for desirability exclusiveness, and believability, and execute the message with most appropriate style, the words, and format and in a socially responsible manner
iv. Decide on the media by establishing the ad's desired reach, frequency, and impact

a. i, ii, iii & iv
b. ii, i, iv & iii
c. i, iii, ii & iv
d. iv, iii, ii & i

178. In which of the following, two or more well-known brands are combined in an offer?

i. Cobranding

ii. Multibranding

iii. Dual branding

a. All i, ii & iii

b. Only i & ii

c. Only ii & iii

d. Only i & iii

179. In which of the following, the firm bases its price largely on competitors' prices?

a. Sealed-bid pricing

b. Value pricing

c. Going-rate pricing

d. Competitive pricing

180. Which of the following is not a form of discriminatory pricing?

a. Customer-segment pricing

b. Image pricing

c. Product-form pricing

d. Special-event pricing

181. Which of the following is not a type of contractual vertical marketing system (VMS)?

a. Franchise organizations

b. Wholesaler-sponsored voluntary chains

c. Retailer cooperatives

d. Symbiotic marketing

182. Who among the following take physical possession of products and negotiate sales?

a. Brokers

b. Manufacturers' agents

c. Commission merchants

d. Selling agents

183. Under which of the following circumstances, negotiation is an appropriate procedure for concluding a sale?

a. When many factors bear not only on price but also on quality and service

b. When business risks cannot be accurately predetermined

c. When a long period of time is required to produce - the items purchased

d. All the above

184. A sales force that consists of manufacturers' reps, sales agents, and brokers, who are paid a commission based on sales is known as

a. Direct sales force
b. Inside sales force
c. Contractual sales force
d. Field sales force

185. Regardless of the selling context, a sales person has which of the following tasks to perform?

a. Prospecting
b. Targeting
c. Information gathering
d. All the above

186. Who among the following is not expected or permitted to take an order but whose major task is to build goodwill or to educate the actual or potential user called?

a. Missionary sales person
b. Demand creator
c. Solution vendor
d. Deliverer

187. A salesperson who has the expertise in solving a customer's problem, often with a system of the company's product or services is know as ___________.

a. Order taker
b. Technicians
c. Demand creator
d. Solution vendor

188. A "Medical Representative" is an example of which type sales representative?

a. Order taker
b. Missionary
c. Demand creator
d. Solution vendor

189. The sales representative brings company resource people to discuss a major problem or opportunity. This type of sales representative's work with customer is known as

a. Seminar selling
b. Conference selling
c. Sales representative to buyer
d. Sales representative to buyer group

190. An interactive marketing system that uses one or more advertising media to effect a measurable response and/or transactions at any location is known as

a. Direct marketing
b. Indirect marketing
c. Database marketing
d. None of the above

191. The process of building, maintaining, and using customer databases and other data bases (product, suppliers, resellers) for the purpose of contacting and transacting at any location is better known as

a. Indirect marketing
b. Direct marketing
c. Data base marketing
d. All the above

192. Which of the following is/are channel(s) of direct selling?

a. Face-to-face selling
b. Direct mail
c. Kiosk Marketing
d. All the above

193. Which of the following is/are the major benefit(s) of on-line marketing to the buyers?

a. Convenience
b. Information
c. Fewer hassles
d. All the above

194. Which of the following is/are the major benefit(s) of online marketing to the marketers?

a. Quick adjustment to market condition
b. Lower costs
c. Relationship building
d. All the above

195. Which of the following is/are challenge(s) that can be faced by on-line marketers as per web commentators?

a. Limited consumer exposure and buying
b. Chaos and clutter
c. Security
d. All the above

196. Which of the following depicts the darker side of the direct marketers and their customer relationship?

a. Irritation
b. Unfairness
c. Deception and fraud
d. All the above

197. Which of the following types of catalog is not used for catalog marketing?

a. Full-time merchandise catalog
b. Specialty consumer catalog
c. Business catalog
d. None of the above

198. What is the term associated with the process of appointing teams to manage customer-value, building processes and trying to break down department walls between functions?
a. Reengineering
b. Outsourcing
c. Benchmarking
d. Flattening

199. "A greater willingness to buy more goods and services from outside vendors when they can be obtained cheaper and better". What is this concept better known as?
a. Outsourcing
b. Benchmarking
c. Re-engineering
d. Globalizing

200. What is term coined for the process that includes reduction of number of organization levels to get closer to the customer?
a. Focusing
b. Flattening
c. Empowering
d. Merging

201. Which of the following step can a CEO take to create a market and customer focused company?
a. Convince the senior management team of the need to become customer focused
b. Get outside help and guidance
c. Install a modern marketing planning system
d. All the above

202. What is the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives?
a. Market objectives
b. Marketing implementation
c. Market control
d. All the above

203. Which of the following can be treated as parameters to study the advertising efficiency?
a. Advertising cost per thousand target buyers reached by media vehicle
b. Consumers opinion on the ad's content and effectiveness
c. Number of inquiries stimulated by the ad
d. All the above

204. Which of the following is not a characteristic of a marketing audit?
a. Comprehensive
b. Systematic
c. Independent
d. Brief

205. Which type of control mechanism focuses on finding ways to increase the efficiency of the sales force, advertising, sales promotion, and distribution?

a. Annual-plan control
b. Profitability control
c. Efficiency control
d. Strategic control

206. What is the cost that can be assigned only indirectly, but on a plausible basis, to the marketing entities known?

a. Direct costs
b. Traceable common costs
c. Non traceable common costs
d. None of the above

207. Which of the following should be considered by the sales manager while monitoring the efficiency of their territory?

a. Average number of calls per sales person per day
b. Average cost per sales call
c. Entertainment cost per sales call
d. Only a and b

208. Customer delivered value is the difference between total customer value and total customer cost. In addition to monetary cost, customer cost includes all of the following EXCEPT:

a. Time cost
b. Service cost
c. Energy cost
d. Psychic cost

209. Which of the following is considered the least useful measure of customer satisfaction for a marketer?

a. Repurchase intention
b. Customer complaint levels
c. Word-of-mouth score
d. Customer loss rate

210. The first step towards building a "high-performance business" is to

a. Set strategies to satisfy key stakeholders
b. Improve critical business processes
c. Align company resources
d. Align the organization to pursue important strategies

211. The shared experiences, stories, beliefs, and norms that characterize an organization defines a firm's

a. Core competence
b. Corporate culture
c. Policies
d. Business environment

212. According to Michael Porter's Value Chain Model, which of the following is a primary activity?
  a. Inbound logistics
  b. Procurement
  c. Human resource management
  d. Technology development

213. All of the following are important elements of customer acquisition except
  a. Customer lifetime value
  b. Lead generation
  c. Lead qualification
  d. Account conversion

214. Which of the following is not a criterion for product differentiation?
  a. Competitive parity
  b. Reliability
  c. Durability
  d. Quality

215. Which of the following is not a major component of a good mission statement?
  a. Strategies
  b. Goals
  c. Policies
  d. Competitive scopes

216. Which scope of the firm is defined as the number of channel levels from raw material to final product in which company participates?
  a. Industry
  b. Geographical
  c. Vertical
  d. Competence

217. What are the customers called who wants speed in maintenance, repair, product customization, and a high technical support?
  a. First time prospects
  b. Novices
  c. Sophisticates
  d. None of the above

218. According to the Boston Consulting Group approach, businesses that operate in low-growth markets and have low relative market shares are
  a. Question marks
  b. Stars
  c. Cash cows
  d. Dogs

219. When a market's annual growth rate falls to less than 10 percent, the __________ becomes a __________ if it still has the largest relative market share.

a. Question mark; star
b. Cash cow; Dog
c. Star; Cash cow
d. Cash cow; Star

220. Which of the following strategies has the primary objective of preserving market share?

a. Build
b. Hold
c. Harvest
d. Divest

221. A SWOT analysis helps to determine a businesses overall attractiveness. What is the proportion of opportunities and threats for a speculative business?

a. High; low
b. High; high
c. Low; low
d. Low; high

222. Which of the following components of a marketing information system is described as the set of procedures and sources used by managers to obtain information about the marketing environment?

a. Marketing research
b. Sales information system
c. Order-to-payment cycle system
d. Marketing intelligence system

223. Which of the following must always be the initial step in the marketing research process?

a. Developing the research plan
b. Defining the problem and setting research objectives
c. Developing the research instrument
d. Designing the sampling plan

224. After deciding on the research approach and instruments, the marketing researcher must design a sampling plan. Which of the following is not a decision associated with designing the sampling plan?

a. Determining the subject contact method
b. Defining the sampling unit
c. Determining the sample size
d. The sampling procedure

225. When marketing researchers select a sample based on the accessibility of members of the target population, they are using which type of sampling technique?
a. Stratified random
b. Quota
c. Simple random
d. Convenience

226. A television broadcast network wants to do market research to reduce the set of the programs down to a small set of basic program types to better understand their viewers preferences. Which of the following statistical tools would you recommend for this task?
a. Discriminant analysis
b. Factor analysis
c. Cluster analysis
d. Conjoint analysis

227. The company imitates the leader's products, name, and packaging, with slight variations and sells them in the market. The company is called________.
a. Counterfeiter
b. Cloner
c. Imitator
d. Adapter

228. "The customer expects goods and services from the dealer". Which type of need is highlighted in this example?
a. Stated need
b. Real need
c. Unstated need
d. Delight need

229. "The customer wants the dealer to include a gift of pleasure trip to US". Which type of need is highlighted in this example?
a. Stated need
b. Unstated need
c. Real need
d. Delight need

230. A company sees its competitors as all companies that compete for the same consumer dollar. This type of competition is called ________
a. Brand competition
b. Industry competition
c. Generic competition
d. Form competition

231. What is the term given to describe the person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations?

a. Hang over
b. Belief
c. Satisfaction
d. Attitude

232. Which of the following is/are included in the core business processes?

a. New-product realization
b. Inventory management
c. Customer acquisition and retention
d. All the above

233. Which of the following is/are the basic skill(s) required for customer acquisition?

a. Lead generation
b. Lead qualification
c. Account conversion
d. All the above

234. Many FMCG products carry symbols or patterns on packages to enhance brand recognition. This strategy is used for creating which type of differentiation?

a. Product
b. Services
c. Personnel
d. Image

235. What is the term coined for the task of evaluating whether the company's marketing strategy is appropriate to the market condition?

a. Annual-plan control
b. Profitability control
c. Strategic control
d. None of the above

236. Which of the following is the most basic marketing–mix tool?

a. Promotion
b. Price
c. Product
d. Place

237. The systematic design, collection, analysis, and reporting of data and finding relevant information to a specific marketing situation facing the company is known as________

a. Marketing intelligence system
b. Marketing research
c. Marketing information system
d. None of the above

238. Which of the following research approaches involves a gathering of six or ten people who are invited to spend a few hours with the skilled moderator to discuss a product, service, organization, or other marketing entity. Participants are paid a little sum for attending?

a. Observational research
b. Focus-group research
c. Survey research
d. Behavioral data

239. What is a direction or sequence of events that have some momentum and durability known as?

a. Trend
b. Lifestyle
c. Culture
d. Privatization

240. What is the combination of technologies that allows users to experience three dimensional, computer generated environments through sound, sight, and touch known as?

a. Virtual reality
b. Virtual image
c. Virtual prototype
d. None of the above

241. Which type of demand is usually associated with industrial goods?

a. Elastic demand
b. Inelastic demand
c. Either a or b
d. None of the above

242. A paper manufacturer buys chemical from a chemical company which in turn buys a considerable amount of paper from them. This is an example of which characteristic of a business buyer?

a. Multiple sales
b. Direct purchasing
c. Reciprocity
d. Leasing

243. A competitor who does not exhibit predictable reaction pattern, is known as___________

a. The laid back competitor
b. The selective competitor
c. The tiger competitor
d. The stochastic competitor

244. What is the firm trying to do when it shifts its focus from the current product to the underlying generic need?

a. Market research
b. Market broadening
c. Market study
d. None of the above

245. The strategic coordination of economic, political, psychological, and public relation skills to gain the cooperation of number of parties in order to enter or operate in the given market known as?

a. Meta marketing
b. Mega marketing
c. Marketing
d. None of the above

246. Who are the buyers who view the product as not very important to their operation and buy it in a routine basis usually paying full price and receiving the below average services?

a. Programmed services
b. Relationship services
c. Transaction services
d. Bargain hunters

247. A garment manufacturer buying a textile mill for its raw material requirement could be an example of _________.

a. Bench marking
b. Backward integration
c. Forward integration
d. Horizontal integration

248. When Nike first opened its company owned retail stores to sell its shoes and sports wear, this move exemplified which type of business strategy?

a. Concentric diversification
b. Product development
c. Forward integration
d. Conglomerate diversification

249. An industry structure consists of a few companies producing products partially differentiated along lines of quality, features, styling or services is known as __________.

a. Pure monopoly
b. Differentiated oligopoly
c. Monopolistic competition
d. Pure competition

250. A company gaining a strong competitive advantage through having better-trained people is known as __________.

a. Service differentiation
b. Personnel differentiation
c. Channel differentiation
d. Image differentiation

Key

1.a	2.a	3.c	4.c	5.b	6.a	7.a	8.a	9.d	10.b
11.a	12.c	13.a	14.d	15.d	16.a	17.c	18.c	19.d	20.a
21.b	22.c	23.d	24.d	25.d	26.d	27.d	28.b	29.c	30.b
31.b	32.d	33.c	34.d	35.b	36.c	37.d	38.b	39.c	40.a
41.d	42.d	43.d	44.b	45.b	46.b	47.a	48.c	49.a	50.c
51.b	52.c	53.b	54.d	55.a	56.c	57.a	58.b	59.c	60.b
61.a	62.a	63.b	64.d	65.b	66.d	67.d	68.d	69.c	70.d
71.c	72.c	73.b	74.c	75.b	76.d	77.b	78.b	79.c	80.b
81.c	82.a	83.c	84.d	85.b	86.c	87.b	88.b	89.a	90.c
91.b	92.b	93.d	94.d	95.a	96.b	97.d	98.d	99.c	100.d
101.b	102.d	103.d	104.c	105.d	106.c	107.b	108.b	109.a	110.a
111.d	112.c	113.c	114.b	115.c	116.b	117.d	118.d	119.b	120.b
121.d	122.b	123.d	124.d	125.d	126.d	127.d	128.b	129.a	130.b
131.d	132.c	133.d	134.a	135.c	136.b	137.c	138.d	139.b	140.c
141.d	142.b	143.a	144.a	145.d	146.b	147.c	148.d	149.b	150.c
151.a	152.c	153.d	154.d	155.c	156.d	157.c	158.b	159.d	160.d
161.d	162.d	163.d	164.d	165.d	166.b	167.b	168.a	169.a	170.b
171.a	172.d	173.c	174.a	175.d	176.c	177.a	178.d	179.c	180.d
181.d	182.c	183.d	184.c	185.d	186.a	187.d	188.b	189.b	190.a
191.c	192.d	193.d	194.d	195.d	196.d	197.d	198.a	199.a	200.b
201.d	202.b	203.d	204.d	205.c	206.b	207.d	208.b	209.c	210.a
211.b	212.a	213.a	214.a	215.a	216.c	217.c	218.d	219.c	220.b
221.b	222.d	223.b	224.a	225.d	226.b	227.b	228.c	229.d	230.c
231.d	232.d	233.d	234.d	235.c	236.c	237.b	238.b	239.a	240.a
241.b	242.c	243.d	244.b	245.b	246.a	247.b	248.c	249.b	250.b

Part B: Caselets

The caselets in this section are designed to encourage students to apply theoretical concepts to various business situations. Analyzing these cases requires not only theoretical knowledge, but also a comprehensive understanding of the business environment. These cases test the student's reasoning and comprehension skills.

Part B: Caselets

Caselet 1

Kinetic Engineering Limited (KEL) has created a buzz in biking circles with its announcement of introducing the 250 cc cruiser Aquila of Hyosung Motors of Korea. It has generated curiosity and interest among bike enthusiasts in the country. The bike is being promoted as a 'real' cruiser. It is fitted with a 250 cc, v-twin, oil-cooled engine with four valves per cylinder. It has an output of 26 bhp, with top speed of over 130 kmph. The company is the first to introduce this high-end bike in the range of 250 cc in the Indian market. The bike is being imported as semi-knocked down kits (SKD). The company is bearing the 35% import duty and offering the bike at a break even price of around Rs. 1.45 lakh in the cities of Mumbai, Delhi, Chandigarh, Pune and Bangalore to start with.

With so many compelling features, the company could have launched a full-scale promotion highlighting these attributes. However, it wants to go for target marketing instead, and is following a limited direct marketing exercise.

The company is using this bike for an "image building" exercise. Kinetic is known more for their mopeds and scooters. Its popular brands, Luna and Kinetic Honda, have changed the two-wheeler market. Now, Kinetic wants to make a mark in the booming motorcycle segment where it is still a small player. The Kinetic motorcycle models consist of Challenger, Boss, GF 170 and GF 125. Barring Boss, which sells around 10,000 units per month, the other models have failed to capture a market share. The company wants to step up the activity in this segment by launching a new model every quarter. A recent launch was Velocity, a mid-sized 125 cc bike. The company wants to be present at every price point. Kinetic plans to use Aquila to change the public's perception of it from a scooter company to a motorcycle company. According to Punit Chaudhry, General Manager — Sales & Marketing, KEL, "Kinetic wants to be known for technology, and give the consumer confidence."

The launch has helped the company to create awareness among customers about its bikes. With the launch of Aquila the daily customer inflow in the showroom has increased to 200-300.

The company is not advertising Aquila in the mass media, instead it wants to market the bike through various direct marketing activities like displaying the product in select dealer showrooms, conducting media conferences, one-to-one interaction with potential customers, and through sustained word of mouth.

In the first leg, the company displayed the bike at the Mumbai Auto Expo to make consumers aware of the product. Later, through its website, kineticindia.com, it provided details about the bike such as availability, terms and conditions, and booking process. Interested consumers were requested to get in touch by email or fax. The response was overwhelming. To cope with the email traffic, the company created a separate inbox to receive the mail and a person was designated to answer customer queries. The company was surprised to receive mail from small towns like Jabalpur and Siliguri. In the first lot, 100 bikes were imported. The company also ran a limited direct marketing exercise wherein it culled data on bikers and bike enthusiasts from some of the top auto magazines and selected 50 prospective customers from each of the five cities - Mumbai, Delhi, Chandigarh, Pune and Bangalore. These customers were sent a brochure and a letter about the product. A response coupon was attached to the letter. 50 customers responded positively. With the positive response company decided to import another lot of 100 bikes and extend the bookings to Lucknow, Kolkata, Siliguri and Guwahati.

Vismaya Firodia, Vice President — Corporate Communications, KEL, who has been involved in this exercise, said "This is the first time the company has engaged in one-on-one communication with customers."

For the second lot, the company advertised only once in the Sunday Edition of the Times of India on March 30 2003. The ad claimed that the Aquila is the first real cruiser and compared the bike to the "Almighty". The ad did not highlight the features, design and performance of the bike. Explaining the idea behind keeping the ad plain and emotional, Harshad Lad — Group Account Manager, Grey Worldwide (which is looking after the promotional campaign of Aquila) said, "the brief was to create an ad that appealed to people who really love bikes, are passionate about them". "And the ad is aimed at getting even the closet biker to respond." The ad provided the mobile numbers of dealers whom the consumers could contact. Each dealer got around 300 enquiry calls.

The company has been selective in the allotment of bikes to customers. The company has put some tough terms and conditions, such as capacity to pay Rs 1.5 lakh upfront, and a waiting period for three months for delivery. Over and above this, the consumers had to be high-profile and had to be knowledgeable about bikes. As the company intends to use this bike as an image builder, it has been choosy about its customers. The company wants not just rich people but those are passionate about their bikes. According to Chaudhry, "because it is a top-end bike, we need a profile of people who will not only ride the bike, but flaunt it. So we are looking for not just rich people, but the Page 3 kind of people who will get noticed."

Chaudary adds "A quota has been fixed for each city, and the idea is to meet the demand from bike enthusiasts, as well as "Page 3" people." The company received good response from Mumbai from where 40% of the total enquiries came. The enquiry list included film stars, serious collectors, bike enthusiasts, and former cricketers.

The launch was a great success. It had a positive effect on the image of the company as well as on the sales of its other bikes. However, critics point out that Kinetic has arrived late in the motorcycle segment and, hence, missed the opportunity to capture the market. Now, when the market is dominated by Japanese manufacturers it needs to prove the credentials of a Korean collaborator. Critics also question the company’s strategy to import the bikes when Hero Honda and Bajaj are planning to launch their own 200 cc bikes. Analysts also felt that having the capacity to manufacture the product is more important than image-building. Aquila may not stay in the minds of consumers when there is more choice. One analyst commented "Image building is all right, but would this effort be worthwhile then?”

Questions for Discussion:

1. Analyze the logic behind the company's decision to be selective in allotting products to customers.
2. When the motorcycle segment is growing at a fast rate and becoming a mass market, is the company's strategy to adopt a limited direct marketing exercise the right decision?

Caselet 2

There was a significant increase in the marketing activities of the various US companies targeting non resident Indians (NRI) in the USA. These companies are sponsoring Indian-related events and launching products that are customized to NRI needs. The reason for this focus on NRIs was attributed to their increasing numbers and income levels.

According to the 2000 census, there are around 1.7 million Indians in the USA. They are also the fastest growing ethnic Asian group after the Chinese and Filipinos. Their average annual income is estimated at $67,000, which is much higher than the average US citizen's income of $45,000. Their education levels are also higher, as 57% of the NRI population holds at least a Bachelor's degree. Due to the technology boom and the increase in the issue of H1B visas, the inflow of Indians into the USA between 1990 and 2000, has doubled. NRIs constituted 10% of the total US wealth market with assets amounting to $78 billion. There are around 200,000 millionaires within the community.

This demographic and economic information prompted these companies to concentrate on the NRI segment in the USA. Merrill Lynch, a leading financial institution, has been focusing on Indians from 2001. The company targeted Indian customers capable of investing $250,000 to $500,000 in its wealth management services. It recruited 90 sales personnel of South Asian origin. The sales force is trained about the needs and culture of South Asians and on how to deal with them.

Western Union, a leading money transfer service provider, also targeted the US Indians in a bid to capture the growing NRI remittances market. Western Union targeted this market because of the strong family ties of NRIs. In the words of Arti Caprihan, Western Union's international marketing manager for South Asia, Middle East & Europe, and a US Indian "As Indians we're close to our families and most of us take pride in supporting and staying connected with our relatives back home". The NRI remittances market is estimated at around $15 billion. In order to gain market share, the company reduced its charges. The company is also expanding its agent network in India from 1,500 to 11,000 locations by tying up with organizations like the Indian Postal Service, Wall Street Finance, Karnataka Bank and Kuoni.

Another major financial institution that targeted the growing Indian community in the US is insurance major, MetLife. The company was the first to enter the diverse communities market ten years ago. For the past few years, MetLife has increased its focus on South Asians, especially Indians. The company felt that they are the segment to target because of their high-income profile and good educational backgrounds. The company has a team of 400 sales personnel who are of South Asian origin. Talking about the need to maintain this sales force, Tariq Khan, MetLife vice-president, multicultural marketing said, "since ours is primarily a face-to-face business, customers tend to be more comfortable dealing with a familiar-looking person." It is also one of the largest sales forces of its kind in the industry.

Companies are promoting their products by associating themselves with the community through special events, and by analyzing the reasons that influence their buying decisions. Metlife has identified that South Asians are very concerned about their children's education. Therefore, the company conducts essay contests for school children and the winners are awarded scholarships worth $ 250,000. Merrill lynch actively promotes 529 college savings plan to South Asian customers.

These companies regularly sponsor Indian events. Merrill sponsored the film festival held in November 2002. It partnered with the Merchant Ivory Foundation to screen *The Divorce* in New York. It has also tied up with Christies (auction house) for the Arts of India sale in London in September 2003. Merrill has also associated itself with professional organizations like TIE and the American Association of Physicians of Indian Origin to improve its relationship with the community.

Western Union also participates in Indian events. It sponsored the Heritage India Festival in May 2003. MetLife has sponsored Diwali celebrations and other cultural programs.

These companies are also running ad campaigns customized to Indian consumers. MetLife uses Hinglish or Hindi to communicate with consumers. It runs print campaigns in Indian publications like India Abroad, News India Times and Silicon India. These campaigns reach the right target segment and at the same time are cost-effective because of the low prices charged by the publications.

With well-targeted marketing efforts, companies were able to promote their products to the Indian community. Merrill claims its South Asian business turned profitable within a year of its operations. Western Union achieved good brand recall and Indians are its prime customers. MetLife's marketing efforts were also successful.

Questions for Discussion:

1. What are the various considerations a company needs to take into account while selecting a target segment? How do you view the decision of the three financial companies, Merrill, MetLife, and Western Union, to target the Indian community in the USA for marketing their services?
2. Analyze the marketing strategies adopted by the three financial companies?
3. How can financial companies explore opportunities to garner further business from the US Indians?

Caselet 3

Commerce Bank is one of the leading financial institutions in USA. The Bank has assets worth over $ 21 billion and 270 branches located in New Jersey, New York, Pennsylvania and Delaware. The total income for the year 2002 was at $ 830 million, a jump of 39% over the previous year; and net profit stood at $ 145 million, a 41% increase over the previous year. In 2003, the Bank opened 46 new branches. It has set a target of opening 500 branches and accumulating $50 billion in assets by 2007.

The Bank's success is attributed to its focus on high customer service. It has followed a retail strategy and even calls its branches 'stores'. When other banks are discouraging branch banking by charging fees for each branch transaction and encouraging customers to use ATMs and online banking facilities, Commerce Bank has opened physical branches aggressively. These branches are kept open seven days a week from 7.30 A.M to 8 P.M. The Bank also has a 10-minute policy by which the branch will be opened ten minutes before banking hours and closed 10 minutes after banking hours The design and appearance of all the Bank's branches are the same. Each branch is built with an investment of $1 million and has a white-brick exterior capped with a black metal roof, floor-to-ceiling glass windows, paintings, and wall hangings that depict historic events and people.

Commerce Bank has built long-term relationships with customers through various customer friendly measures. The products offered are low cost deposits and loans that are ignored by the major players. It offers free account verification, 24 hour phone banking and award winning online banking services. Unlike its competitors, the Bank does not insist on a minimum balance. The Bank has wooed customers through extended banking hours, freebies given on account opening, and by faster service to the customers. Bank employees greet the customers when they enter the bank. It is on constant look out to find out ways to enhance the customer service. Phones have been installed at the Bank's ATMs so that customers can contact call center personnel for assistance. A "check view" feature has been added on it's the Bank's website so that customers can see the front and back of a check a day after it has been deposited. It has installed Penny Arcades at branches in which customers can exchange small change with equivalent dollar bills. Commerce Bank offers this service free, unlike its competitors who charge for each transaction. The Bank claims that it is providing this service for customer convenience and not for profit. The Bank loses about $10 million because of this measure. In the year 2002, the Penny Arcades transacted $71.7 million in 750,000 transactions. "We get no [direct] return on that money," says Vernon Hill, Commerce Bank's Chairman and CEO, "but it is adding extra access to our bank. The message is not that we take your coins; it is one of the things that enhance the retail experience." On rainy days, employees escort customers from their cars to the branch with umbrellas. The Bank also conducts fun-filled special events, and promotions that it calls "retailtainment".

To create excitement in the bank, it has created three mascots - Mister C, Buzz and Doctor Wow. Mister C's red costume is in the shape of the capital letter C representing the company's logo and he goes around the bank interacting with customers. Buzz is a human-sized bee that is used to create a 'buzz' in the bank. Doctor Wow is a mysterious faceless character that solicits feedback from employees and customers. The character is so named as the aim of the Bank is to "wow" its customers. Doctor Wow receives many letters and emails from customers and employees. These are forwarded to the relevant departments.

The Bank has established a corporate university called Commerce University to meet the training needs of its employees. This university was developed on the lines of McDonalds' Hamburger University. Every new employee has to undergo a one-day training course called "Traditions" at the university center. The course is an interactive orientation program aimed at making employees understand the history and the "wow" culture of the Bank. It is mandatory for every new employee to undergo training for 150 hours within a 1-2 year period in varied operations such as teller training and customer service representative training. Commerce University offers 1700 different courses for employees. 15,000 employees are enrolled in this university every year. Those who successfully complete their degree, diploma or advanced training program from the university, are provided with stock options in the Bank.

The Bank motivates its employees in many ways. Employees are placed in teams called "Wow teams" which are similar to Nordstrom's "Nordies." To relive employees of the routine, the Bank arranges weekly events called Red Fridays. Employees wear their favorite red business attire to symbolize the Bank's red color logo. In order to create healthy competition within its branches, the Bank gives out Doctor Wow awards to the branch that "out-wows" other branches. For this Bank sends 'mystery shoppers' to its branches to assess service quality. Each branch is given a "wow rating" based on its service quality. The winning branch is given trophy the Hill Cup that is in the shape of the capital letter C. The Bank also runs a "kill a stupid rule" program in which employees are encouraged to find ways to enhance customer service. The Bank rewards employees for identifying stupid rules that annoys or disturb customers and suggesting alternative rules or policies.

To keep customers satisfied, daily branch operations need to be fast. The Bank has developed various techniques to speed up its processes. For example, it has reduced the number of keystrokes required for teller transactions, thus reducing the time required for transactions. Customer signatures are scanned and fed to the computer system so that the teller can check the customer's signature instantly. This reduces the time taken for cash remittances to a mere 20 seconds. Bank personnel also provide customers who are waiting in a queue something to eat or read, to divert their attention.

Using customer service and a unique retailing strategy, Commerce bank has achieved good growth rate and is showing good profits. Its stock has grown by 2000% in the past ten years. In the third quarter of 2003, the bank recorded a growth rate of 41% in deposits and 26% in earnings per share. Business Week listed the bank in `50 top performing companies of the S&P 500'. The Bank also received awards for its online banking service. Microbanker adjudged Commerce Bank's online service as the "Best in Remote Banking." The bank is striving to become "America's most convenient bank".

Questions for Discussion:

1. Services are intangible. How far Commerce Bank has succeeded in "tangibilizing the intangible"?
2. Services are highly variable as they are dependent on the person who provides them. Thus, maintaining service quality is one of the key challenges for a services company. To what extent has Commerce Bank succeeded in maintaining service quality?

Caselet 4

The Khadi and Village Industries Commission (KVIC) was set up as a statutory body under a parliamentary act in 1957 to promote khadi and other village industries. During the year 2002-2003, KVIC logged sales to the tune of Rs. 10,000 crores and earned a profit of Rs 3,398 crores. It is one of the largest consumer goods marketers with 487 products under its product portfolio sold through 7,000 outlets. KVIC's product portfolio includes soaps, shampoos, processed foods, leather, hand-made paper, handloom and khadi products.

The broad objectives of KVIC are

- The social objective of providing employment.
- The economic objective of producing salable articles, and
- The wider objective of creating self-reliance amongst people and building a strong rural community spirit.

Its key activities include

- Providing technical, financial and marketing support to entrepreneurs in the Khadi and village industries;
- Generating rural employment;
- Undertaking rural development programs with other agencies engaged in rural development; and,
- Undertaking R&D activities in the field of rural industries.

It provides employment to 66 lakh people and provides support to 6,000 cooperatives and 1,65,000 village entrepreneurs. Nearly 3 lakh villages have been covered under its programs. KVIC has plans to double its sales to Rs 20,000 crores within the next five years and to provide employment to another 25 lakh people by the end of 2006.

During the year 1999, KVIC reviewed the marketing strategy it adopted to promote village industry products and found certain gaps. Therefore, it set up an expert committee to provide recommendations on the marketing strategy to be adopted.

The committee conducted a market survey across the country to study the market potential and customer perception for its products. The committee found that eco-friendly products have acceptability among customers. However, it found that consumers were either unaware or had certain negative perceptions about its products. Even those who were aware of the products believed that village industry products are of low quality. Similar findings were made about channel partners. Distributors and retailers had a negative perception that the products were of low quality. The committee also found out that the existing 7000 KVIC outlets were in no way capable of tapping the right customers for the products.

Based on the survey, the committee made certain recommendations about the marketing strategy to be adopted. The committee suggested that in order to bring awareness about the products among the consumers, the products had to be branded. It felt that since the products are to be sold in the consumer market, a strong brand would differentiate KVIC products from the clutter. The committee recommended that KVIC needed to dispel the negative perception about the quality of its products. It also recommended that KVIC explore the distribution channel alternatives available beyond the existing KVIC outlets.

Based on the recommendations, KVIC decided to launch all its village industry products under a single umbrella brand – Sarvodaya. KVIC took special steps to address concerns about quality. It fixed quality norms that the local units have to follow in producing the products. KVIC decided to invest Rs 8 crores for quality upgradation and administration. The Sarvodaya Quality Circle (SQC) was constituted to oversee the quality aspect. This is headed by the Deputy CEO of the Village Industries division, JL Choudhry, and has representatives from the Bureau of Indian Standards (BIS) and KVIC's Science and Technology division. The quality norms fixed are in conformance with the standards set by BIS and Agmark. Toilet soaps conform to BIS Standards (76 TFM), pickles conform to FPO standards and honey is processed as per Special Grade of Agmark. SQC has set its own standards for products, such as agarbattis, which had no quality standards to compare with. To further augment the process it has tied up with IIT Delhi to provide technical inputs to its rural industries program.

On the pricing front, KVIC decided to adopt a competitive pricing strategy. KVIC ensures that the prices of products sold under the Sarvodaya brand are much lower than the prices of leading brands.

It has decided to distribute its products outside the KVIC network through various retail outlets. The brand was launched in Mumbai in 2001. Products are distributed in 5000 stores in Mumbai. KVIC plans to launch the brand in Bangalore, New Delhi and Ernakulam.

Questions for Discussion:

1. How do you think branding can help KVIC to sell its village industry products?
2. Analyze the steps taken by KVIC to change customer perceptions and to improve the acceptability of its products?
3. What other steps can KVIC take to make its Sarvodaya brand successful?

Caselet 5

Amara Raja Batteries Limited (ARBL) is a leading industrial and automotive battery manufacturer in India. The company was started by Ramachandra N. Galla, an NRI, in 1985. It was the first company to manufacture sealed maintenance-free valve-regulated lead acid (VRLA) batteries for industrial applications in India and a market leader in the stand-by VRLA battery segment in India, with a market share of over 40%. It is also the largest manufacturer of this type of batteries in the Indian Ocean Rim and among the top 10 in the world.

The company has a technical collaboration with Johnson Controls, a global automotive component manufacturer. The storage battery market is categorized into two segments, industrial battery market and automotive battery market. Having established itself in the industrial battery segment, the company focused on the lucrative automotive segment. The automotive battery segment occupies a major part of the overall storage battery market with 62% market share and is valued at Rs. 1600 crores. The automotive battery market is further categorized into original equipment manufacturer (OEM) and replacement segments. Exide is the market leader in both these segments with a 90% share in OEM (batteries supplied to automotive manufacturers) and 25% in the replacement market (batteries supplied to individual buyers). It supplies batteries to leading automotive companies like Telco, M&M and Ashok Leyland.

Exide being the market leader in the OEM category, Amara Raja felt that it was not advisable to take it head-on and, decided to focus on the replacement market instead. ARBL's decision can also be attributed to the scope for better price realization and the highly unorganized nature of the market.

From its market research, the company found that customers want a battery that has a long life. The company has, therefore, come out with an innovative automotive storage battery that suits local conditions. The company claims that the batteries available in the market need to be topped up with water (distilled water) periodically, as the water level reduces due to the high rate of reaction taking place inside the battery. The reaction rate in ARBL's battery is so low that there is no need to ever top up the water level during the life of the battery. The plates inside the battery do not corrode because they are made of a patented silver alloy mix. The company also claims that they use a high heat resistant technology which ensures that the battery functions equally well under extreme temperatures. The batteries are temperature resistant and perfect for Indian weather conditions.

The company wants to make its brand different and achieve a high rate of brand recall among customers in order to stand out in the market. The aspect of ensuring a different looking brand has been addressed at every aspect of the product launch starting from the design of the product to its distribution. The company wanted to highlight that the battery "Lasts long, really long".

First, the company focused on making the physical aspects of the product look different. The casing of the battery is made of strong polypropylene material and colored black. White is the color used by the other companies in the market. Other unique features of the battery are convenient fold-down handles, charge indicator on the battery and fancy looking `best in class' wends. The side walls of the battery are ribbed to give a rugged look signifying that the battery lasts long.

Explaining the efforts to make the product look different, Jay Galla, Executive Director, Amara Raja Batteries, said, "It started from the design of the products itself. We had looked at all the products in the market not only in terms of technical features and performance but also in terms of aesthetics. And if the battery is going to be performing at such a different level from the existing products, it has to look completely different as well. Not just in terms of colors but also designs."

The company then focused on selecting an appropriate brand name. They wanted the name to signify the product attribute of "lasting long". After much deliberation with the ad agency, Ogilvy & Mather (O&M), and research agency, TNS Mode, ARBL decided to name the battery "Amaron", a combination of "Amar" a Hindi word (meaning immortal) and "on" from English. For the color and the font of the brand, the company used the `in your face' font that makes the "Amaron" letters brash and loud, and enhances the battery's rugged appearance. Fluorescent green was chosen to make the brand letters visible and easy to recognize even from a distance. Commenting on the selection of the font and the color, S. Ramachandra, Executive Vice-President Amara Raja Batteries, said, "we were up against a brand which almost dominates the mind space in batteries (read Exide). We wanted to be seen as strikingly different and that was a very important part of our branding."

The company has taken care that the product and the brand look distinct. Now, the company also wants the product to be promoted differently to stand out in the market. Since it is a new entrant in a market dominated by Exide, the company has to draw the attention of customers towards its brand. Therefore, the company wants to increase brand awareness among customers through an innovative promotion strategy. The job of creating the advertising campaign was entrusted to O&M. The ad campaign was designed to highlight the battery's attributes of long life and low maintenance. The company has chosen the tagline "Lasts long, really long" to highlight those attributes. The aim of the campaign was to make a lasting impact on the target audience to achieve high brand recall. For this, the agency used humor as a platform to communicate the product value to consumers. Ads were created using claymation films and folklore to make them different. The narration followed Maharashtra's Katha Kirtan style for more appeal.

Hinglish lyrics are used to make the brand youthful and sporty. Well known fables like the Hare and the Tortoise and characters like Kumbhakarna from Ramayana were used in the ads. The campaign has gone done well with consumers. Apart from an increase in sales, the ad campaign also received the Gold Abby at the Mumbai Advertising Club's annual awards night.

The company employed innovative field promotions to make the brand visible in the market place. To highlight the fact that the battery will not lose water, the company launched a mineral water campaign in various cities during the summer. As a part of this campaign, company staff stood at select petrol bunks and traffic junctions handing out mineral water bottles to car and two-wheeler drivers, with a note `At 40 degrees Celsius, if your car has an Amaron battery, it doesn't need water, but you do.' The company gave away nearly three lakh bottles during the period and achieved high brand recall.

To enhance the brand's rugged image, the company associated itself with events like motor sports and go-karting. It also sponsored various go-karting competitions. The company also engaged Narain Karthikeyan as its brand ambassador. Commenting on the company's association with motor sports, Ramachandra, said "We saw it as international and glamorous and it is in automotive. It's about youth, speed, technology and endurance, which tied in with our branding."

On the distribution front also, the company used innovative strategy. Its 100 franchisees spread across the country, are named Pit Stops. The company has made it mandatory, for all its franchises to follow a standard store design. The interiors are designed keeping in mind the outlet name Pit Stops. A rugged and functional environment is created inside the store, signifying the brand attributes. Lighting in brand's color, fluorescent green, is arranged all around the store.

The company also distributes batteries through other channels. At present the company is distributing products to about 7,250 retailers who include service stations, accessory shops, old battery dealers, lubricant dealers, etc. The company is even experimenting with distributing its products through departmental stores. ARBL felt that it should not focus on just increasing sales but on increasing brand awareness as well.

With its unique branding and marketing strategy, the company has captured 6% of the replacement market within three years of product launch. The market leader, Exide, has 25% market share in this segment which is dominated by the unorganized sector.

By making a mark in the replacement market, the company was also gaining ground in the OEM segment. The company is already supplying batteries to Ford, GM, Daimler Chrysler and Hindustan Motors.

To broad base its offerings, the company launched a private label's program. Under this program, the company manufactures batteries for other brands. It is now supplying batteries to Lucas Indian Services for its Lucas batteries, and to MICO and GM for their brands, Acdelco and Bosch respectively.

Questions for Discussion:

1. When the OEM market is the key segment in the automotive battery industry, why did Amara Raja focus on the replacement market?
2. In what way does branding help Amara Raja to market a low-involvement product like automotive batteries?

Caselet 6

Cafe Coffee Day has opened its 100th outlet in Delhi. Barista is planning to increase the number of its outlets from the present 130, to 200 by March 2004. StarBucks is thinking of entering the Indian market. Reliance is setting up Java green coffee outlets in each of its WebWorld stores. Coca-Cola is planning to launch its Georgia brand of coffee and tea through vending machines across the country by 2004.

Liquid coffee retailing is catching up with consumers and corporates alike. The activity in this sector has greatly increased in the past few years.

There are two kinds of liquid coffee retailing modes - coffee parlors and vending machines. Coffee retailing through vending machines is not a new concept and has been in the market from the early 1990's. The vending machines business is dominated by two established players, Brooke Bond and Nestle. Each of them has 15,000 machines spread across the country. Tata Coffee is a smaller player with 3,500 machines. Vending machines are targeted at travelers and consumers who are on the move. Another niche category within this segment is fresh roasted and ground (R&G) coffee vending machines dominated by Fresh & Honest with 900 units. With increased urbanization and consumers spending more time outdoors, coffee retailing through vending machines is gaining importance. A new entrant in this market is Cafe Coffee Day which is aggressively increasing its presence in the market.

A recent trend in the liquid coffee retailing segment is the emergence of coffee parlors. The key players in this segment are Cafe Coffee Day and Barista. Both of them have a national presence and have plans to enter the outside markets (Barista already has an outlet in Colombo).

Analysts attribute various reasons to the success of coffee bars. Demographic and income shifts are a key reason for the popularity of coffee bars. Due to urbanization, consumers are exposed to Western culture and want to replicate it. Further with the increase in income levels consumers are spending more not just to satisfy their functional needs but also their lifestyle needs. The young generation customers who seek variety are also major patrons of the coffee bars.

These coffee bars are also becoming media vehicles for companies in other businesses. Popular comic strip, Garfield, is being launched in India not through bookstores but through Barista coffee bar chains. Elle 18 is planning to launch a special range of lipsticks and nail paints named Coffee Collection through Barista coffee bars. Elle 18 plans to offer the product in a package of specially designed Elle18/Barista coffee mugs. These products would be promoted through in-store activities like scroller cards, menu cards and shade cards. Special contests will be organized, with prizes such as free coffee for two months.

Cafe Coffee Day (CCD) also ran special promos on occasions like Valentine's Day and Christmas. Companies like Wrangler, Archie's and Weekender turned up on their own to give away prizes during the events. Hindi movies and TV serials have also used CCD parlors for promotion. CCD has even been designing special drinks for products like Levi's 6" Below Jeans.

Qwiky's, another coffee bar chain, has sold or bartered in-store space to Cadbury, Airtel, Warner Brothers, ESPN, Epson Printers and Royal Enfield, among others.

Questions for Discussion:

1. What environmental factors are responsible for the popularity of liquid coffee retailing?
2. What prompted marketers to use coffee parlors as media vehicles?
3. How can coffee parlor chains benefit from running promos of other companies at their stores?

Caselet 7

In April 2000, the New Delhi police unearthed one of the biggest scandals ever to hit the world of cricket. While investigating a local corruption case, officials recorded phone conversations between Hansie Cronje (Cronje), the captain of the South African cricket team, and Sanjeev Chawla, a London-based Indian businessman. The conversation on the tapes seemed to implicate both men in illegal betting on a match played in February 2000 in India. After initial denials, Cronje conceded that he had accepted $ 15,000 to fix the match. The news shocked both cricket fans and the media alike - Cronje's face was smeared with black paint on posters across the country.

Siyaram Silk Mills Ltd. (Siyaram), one of India's leading textile companies, was also affected badly by this controversy. Hansie Cronje was one of the key celebrity endorsers for Siyaram's J. Hampstead brand of clothing. Siyaram and its advertising agency, Percept, watched in dismay as their celebrity endorser turned into an internationally hated sportsman overnight. The issue raised a heated debate in corporate and media circles regarding the perils of using celebrity endorsement. Percept sources commented, "This mess is horrible." Siyaram pulled down all the billboards featuring the South African team across the country. The J. Hampstead campaign was completely withdrawn, almost 20 days before it completed its scheduled run on hoardings and television. The 'match-fixing' scandal seemed all set to force Siyaram – and other Indian companies – to rewrite the rules for using celebrity endorsement as an integral part of their media plans.

Siyaram had a 4% market share in the Rs 50 billion suiting and shirting market. Siyaram had a strong presence in the lower and medium segment of the domestic suiting market. Siyaram retailed its products through 25 exclusive showrooms, besides its distributor network of about 400 wholesale dealers and 50,000 retailers across the country. The company also exported its products to Europe, South America, South Africa, the Far East and the Gulf countries. Siyaram's sales increased from Rs 20 million in 1978 to Rs 3252.6 million in 2000-01.

In 1995, Siyaram tied up with J. Hampstead for marketing its suitings in India. J. Hampstead was a very popular brand in Europe, renowned for its premium 100% wool suitings woven from rich natural fibers like merino wool, cashmere and woolsilk. The company imported the fabric from Italy. It was priced in the range of Rs 1,500-1,600 per meter. In September 1997, Siyaram decided to begin manufacturing the brand at its plants with technical assistance from J. Hampstead. The product was slightly different from the imported version and was priced in the range of Rs 275-1000 per meter. Explaining the reason for the decision, N Gangadhar, General Manager (Marketing), Siyaram Silk Mills said, "The imported J Hampstead faced two problems: that of maintenance and price. The imported product had to be dry-cleaned and steam-ironed. The Indian fabric can be hand-washed."

Siyaram earmarked around Rs 50 million for the marketing, sale and promotion of J. Hampstead. The first phase of this promotion was in the form of commercials featuring Indian tennis superstars Leander Paes and Mahesh Bhupati. These commercials with the tag line, 'The finest fabric in the world,' were aimed at positioning the brand in the premium segment.

In September 1999, Siyaram held a tennis carnival to promote J. Hampstead, where several Hindi film stars were invited to play tennis with the brand ambassadors. Soon after, Siyaram faced problems with the tennis duo when they decided to end their partnership, reportedly due to personal problems. However, the company continued running the advertisements. Company officials justified this, claiming that the 'sport was bigger than the players,'

In February 2000, Siyaram signed the South African cricket team for promoting the brand. The multi-media promotion was spread over television, satellite channels, print, outdoor and point of purchase advertising. Gangadhar said, “We have taken this opportunity to associate ourselves with the number one ranked cricket team as they will be popular in the coming series of cricket matches. And this will enable the brand to be globally focused. The idea of such a campaign is also to send the message that the product is of international quality. In India where cricket is almost a religion, these models can be easily identified by both the masses as well the classes.”

Within a month of the campaign being released in the national media, the Cronje controversy surfaced. Siyaram continued to run the advertisements in newspapers for a few days after the scandal broke. However, the company soon decided to withdraw the campaign completely. A Percept official said, “Thankfully, the campaign was not centered on one single player but the entire team. Hence it is not so bad after all. We are also recovering from the incident.” He added, “We have used multiple personalities for the ad. We have not focused just on Cronje. It is the entire 14-member South African team that we have signed up. So, we never let the personality become the brand itself.”

Siyaram’s strategy of opting for multiple brand endorsements seemed to have diluted the impact of the scandal on the brand. The company began working on a new series of commercials featuring the Leander/Mahesh duo, but dropped them as the brand ambassadors in October 2000. Though company sources denied that they had given up the celebrity endorsement route for J. Hampstead, the perils of celebrity endorsement began to be seriously examined by Indian companies and advertising agencies.

Questions for Discussion:

1. As a media planner, comment on the efficacy of celebrity endorsements in general and about their effectiveness in India in particular. Do you think advertisement agencies use these campaigns because they are an easy way of attracting attention?
2. How can a company effectively promote a product using celebrity endorsements?

Caselet 8

Hindustan Petroleum Corporation Limited (HPCL) is India's second-largest integrated oil refining and marketing Company with a gross turnover of Rs 53,000 crores and a net profit of Rs 1,400 crores for the fiscal year 2002-2003. It is also the second-largest LPG marketing company with a consumer base of more than 16 million, serviced through a network of 1,823 distributors across the length and breadth of the country.

In the recent past, the company has focused on improving its customer service in the LPG business.

The LPG market is undergoing a sea change. The market can be categorized into two segments, the industrial market and the domestic market. The domestic market constitutes 90% of the total market. The middle class segment with its significant growth rate, is a major target for LPG companies. Incomes of the rural consumers are also on the rise and likely to create demand for these companies. In 1993, the government has opened up the market for private players, thereby increasing the competition in this market. The government is reducing subsidies on LPG in a phased manner, and this is possible that they could be removed completely. This will not augur well for the public sector companies, HPCL, Bharat Petroleum and Indian Oil, as low price is the differentiating factor for its products in the price sensitive domestic market.

Therefore, in this competitive and ever-changing market environment, HPCL felt that the only way it can differentiate its products is by focusing on providing high customer service. It has taken various customer focused initiatives to retain and improve its position in the market. The company has focused on three aspects, viz., quality, safety and convenience.

The quality aspect was covered by its weight campaign initiative. As a part of this weight campaign, 15,000 HP delivery boys across the country are provided with electronic and mechanical weigh scales, so that customers can cross- check the weight of the cylinders at their doorstep. Through this initiative, HPCL has projected an image of itself as a company that provides quality products.

Another customer-focused initiative undertaken is regarding the safety of its customers. The company has done away with the traditional individual insurance policy and in its place, has taken an enhanced umbrella insurance policy covering all consumers and third parties. Accordingly, the company will provide a compensation of Rs 100,000 in case of demise, Rs. 25,000 towards loss of property and Rs. 15 lakhs towards medical expenses if a person sustains injuries due to an accident with an LPG cylinder.

Apart from the quality and safety aspects, HPCL also wants to increase the loyalty of its customers towards the company. For this, the company has devised a unique loyalty program. As a part of this program, a HP gas customer can call the HP line "1716" and enroll as a member of "HP Home Perks". There is no fee for enrollment. As a member, the customer can buy a range of products from the HP Home Bazaar at huge discounts ranging from 40 to 50%. For each purchase, the customer is entitled to certain loyalty points which can be redeemed against the products. The company is also offering other incentives, such as providing customers with an opportunity to participate in contests and win attractive prizes. The company is planning to introduce this program first in Mumbai and later extend it to other parts of the country in a phased manner.

The company has also focused on the convenience aspect of customers. HPCL is offering delivery within 24 hours. Delivery timings have been extended to 8 am-8 pm and the outlets are open seven days a week. New connections will be installed within 24 hours. The booking point will serve as a single point of contact for various services such as customer enquiries, new bookings, and emergency services. An easy and convenient helpline "1716" has been set up across the country for customers to make enquiries and bookings. The company has also started an online booking service in select cities.

The company also focused on enhancing customer service in the rural markets. HPCL is operating two skid filling plants specifically for rural areas. The company is also planning to introduce 5 kg cylinders in these markets. The company recently launched the HP Gas Rasoi Ghar scheme in the rural areas to make the fuel affordable to the underprivileged section. It is introducing a community kitchen concept wherein consumers pay on the basis of time taken by them for cooking. Thus, the villagers do not have to pay the one time deposit and invest in buying gas stoves. They are also saved the recurring cost of refills. At present, 350 Rasoi Ghars are being used by 6,500 families. This scheme also has a social angle to improve the quality of life of the underprivileged sections.

Questions for Discussion:

1. In India, until recently, supply of LPG was always below the demand. The industry was dominated by a few public sector players. In this scenario, identify why HPCL focused on improving customer service.
2. HPCL has undertaken customer satisfaction survey to identify customer expectations and complaints. What are the other ways to measure and track customer satisfaction?

Caselet 9

Philips a leading electronic goods manufacturer is going rural. The company is now looking at the rural market as a growth opportunity. To augment this, the company has launched "Philips Mahasangram", an integrated marketing program that focuses on the rural and semi-urban markets.

The reason for launching this initiative is to capture the growing rural market. With rising income levels and better awareness about products consumer spending in rural areas has increased. As per industry estimates, the share of rural customers in the consumer durable market was around 25% in 1997-98. It increased to 36% in 2001-2002 and is expected to reach 41% by 2006-07. Another reason for increasing its focus on the rural market is the competition from the small-scale players. Small players like Oscar, Beltek, and Texla are snatching the market away from the established players. They are heavily undercutting prices and using their reach to capture a large share of the rural market. Some of these companies claim that they have achieved a growth rate of 100% in their market share. In order, to retain its market share and establish its brand, Philips has undertaken this initiative.

Rajeev Karwal, Senior Vice-President (Consumer Electronics Division), Philips India Ltd, explaining this initiative said, "The Philips Mahasangram is aimed at taking Philips' new products to the semi-urban and rural customers and increase their awareness where product knowledge, information and availability are concerned." The significance of this initiative in the company's marketing strategy can be gauged from the budget allocation for the program, which is around 4.5% of the turnover of its rural/semi-urban business.

The company wants to first develop new products that suit the rural consumer’s needs and conditions. For example, the company has designed 14" inch color television models at an affordable price starting from Rs.8,000. These models have innovative features that are specifically developed for rural conditions, such as unique "Eye-fi" technology that enables adjustment of the picture when the cable signal is weak, consumption of less electricity, and on-screen display in the regional language.

The company also restructured its audio portfolio where it has a larger market share and good brand image. It launched new models in the mono and stereo segment that have better designs and features. One such product is the free power radio. This radio does not require batteries or an electric supply. Instead it runs on a lever similar to that used in mechanical watches. With a minute’s winding, the radio runs for nearly 30 minutes. The company expects a good market response to this product. It is estimated that, on an average, each rural household spends Rs. 1000 to Rs. 2000 on batteries annually. Now, with a price tag of Rs. 995 the consumer can recover the cost of the radio within a year. The consumer also saves on battery costs for the next 12 years. The company has also launched a new CD portable system priced at Rs. 4000 to encourage rural/semi-urban customers to upgrade from stereo cassette recorders.

Philips is focusing on the audio segment because of the industry’s expectations of a renewed demand for audio products. Analysts estimate that the radio segment will grow from Rs. 160 crores in 2002 to Rs 1,200 crores by 2005, with the major contribution (nearly 60%) coming from rural and semi-urban customers. With the entry of private FM channels, the demand will increase even more. Since Philips is the only organized player in the radio set market, the company stands to benefit from increase in demand.

For marketing its products, the company wants to adopt an aggressive approach, similar to FMCG companies. Commenting on this Karwal stated "The Mahasangram Integrated Marketing Program is essentially about implementing a non-durables strategy marketing in a consumer durable segment. We are planning effective use of a number of media vehicles to ensure efficient communication of our message and maximum utilization of the monies spent".

The company plans to advertise the products using both traditional and novel promotional activities. It used television, radio and the print media. At the same time, the company has initiated various field marketing activities like road shows, display of company's products through mobile vans, advertising the products on the back of postcards and envelopes which are widely used by consumers for communication. The company also wants to associate itself with local festivals and events through sponsorships and contests.

Distribution is the key element in marketing products in rural areas. Philips has a fairly good distribution network with a reach even into the interiors of rural and semi-urban areas. It has undertaken a product-mapping study across 540 districts. The object of this study is to identify the products bought by consumers in each area, thereby enabling the company to distribute only relevant products in each area. This would reduce distribution costs and the company will be in a position to provide what customers want. To strengthen its distribution network, the company adopted the Key Account Management Approach, and identified major retailers under each distributor who recorded high sales. These retailers are considered as key accounts and the company endeavors to build a relationship and trade with them by providing either strategic or economic support.

Through "Philips Mahasangram" the company expects that its market share in rural areas will improve. The company has set a target to achieve 50% growth rate by end-2003 in the portable audio product segment, which is growing at 28% at present(2002). In the color TV segment, the company has set a target of 45% growth rate by the end of 2003, from the current 28%(2002).

Questions for Discussion:

1. When other consumer electronic good companies are focusing on urban markets, why did Philips focus its efforts on rural areas?
2. Analyze the marketing mix that Philips adopted to capture the rural market?

Caselet 10

'Frooti', launched by Parle Agro in 1984, was the first tetrapak drink to be introduced in the Indian market. By 2000, Frooti had a majority share of the Rs. 300 crore tetrapak fruit drink market. However, analysts felt that this 16-year-old brand had been losing its appeal over the years. The sales of 'Frooti' also had dropped. The situation worsened with the increase in competition. In addition to the threat it faced from soft drinks marketers, Frooti witnessed heightened competition in its own segment— tetrapak fruit drinks and juices.

With pressure mounting from all sides, Parle Agro was forced to rethink its strategy. To revive the sagging appeal of the brand, it decided on a major relaunch strategy, which focused on changing its positioning. The relaunch of 'Frooti' aimed at positioning 'Frooti' as a fun, trendy and modern drink targeted at the youth segment.

'Frooti' had a tough task on its hands since the youth segment was extremely difficult to break into, partly because of the perception that 'Frooti' was a kid's drink and partly because of the hold that its competitors had already established over the market. By targeting the youth, 'Frooti' would be in direct competition with the cola MNCs (Pepsi and Coca-Cola) which were immensely popular, not to mention other tetrapak fruit drinks and all the other beverages targeted at youth.

The relaunch strategy for 'Frooti' therefore focused on the one hand, on breaking the image with which the youth associated 'Frooti', and on the other, on convincing the youth that it was a better alternative to the colas.

The creative team of Parle Agro's advertisement agency realized that they had to think of something that appealed to the college-going crowd. They had to figure out where the typical college-goer hung out, what his/her reference points were, and what would grab his/her attention. They found that the typical college student hung out at the canteen, fed on small talk, and, that his/her conversation invariably revolved around celebrities and the handful of star students of his/her college— it didn't matter that few had actually met the celebrities. So it was decided that the promotion campaign for repositioning Frooti would revolve around a brand ambassador who would be someone the youth could relate to. If this person had to have mass appeal, his name had to be ubiquitous enough; he had to lead a life that normal consumers could relate to, and the storyline had to be powerful enough to sustain interest. Over the years, film stars and cricketers had served as role models to the youth. Interestingly though, Parle Agro chose to use a fictional brand ambassador rather than a celebrity like Hirthik Roshan or Sachin Tendulkar to endorse their product, their argument being that a celebrity's life is always short lived. That decided, they had to choose an appropriate name. The name 'Digen Verma' was chosen because though it was somewhat unusual, it had a familiar ring to it. The name was well received in southern markets like Kerala, according to a test market research. Once the name was chosen, a personality was built around it.

Having decided on the brand ambassador, Parle Agro needed a catchy and creative promotional campaign, which could communicate its intended positioning and differentiate it from its competitors, all within a shoestring budget. Parle Agro rolled out an aggressive multi-media advertising campaign created by Everest across the nation. The campaign included television commercials (TVCs), outdoor media campaigns, offline promotions and online advertising campaigns.

The first stage of the campaign was spearheaded by an innovative and creative promotional teaser campaign, built around the brand ambassador 'Digen Verma'. The campaign aimed to stir up an interest among the youth, by building up a hype over 'Digen Verma,' and creating a mystery over his identity by concealing his association with "Frooti'.

To create this kind of hype, there was a blitz of outdoor ads, promos, cinema and teaser spots centered around the name 'Digen Verma.' Many popular teenage joints such as restaurants, movie theatres, buses and local trains were flooded with catchy posters asking 'Where can you find Digen Verma on Saturday nights?' or 'What is Digen Verma's favorite serial?' and so on.

For the fortnight that this teaser campaign lasted, mystique, intrigue and high drama cloaked this `faceless' man and he became a talking point all around the country. Eventually it was revealed that 'Digen Verma' was the brand ambassador for 'Frooti.'

As part of the relaunch strategy, the Frooti tetrapak was also given a new packaging. New `splash' graphics were introduced on the pack in the same signature green and orange colors and a flip top packaging replaced the aperture for the straw. Frooti's tagline changed to 'Just like that.'

Building on the hype and interest generated through the teaser campaign and the changes in packaging and tagline, Parle Agro used regular advertising across various media (viz. Print media, TVC's, on-line promotions etc.,) focusing on communicating its new positioning and attracting the target segment.

The 'Digen Verma' campaign seemed to have been very successful in terms of the interest it generated. For the Rs. 30 million spent on it, the customer awareness it was likely to capture for 'Frooti' seemed quite phenomenal. However, some analysts were skeptical about whether the campaign could actually generate sales. They held that a teaser had to deliver. Otherwise, all that curiosity would merely serve to get people irritated faster. Ultimately, a teaser was not a substitute for advertising, nor was it a substitute for brand building.

Questions for Discussion:

1. "With pressure from all sides, Parle Agro was forced to rethink its strategy." Discuss the components of the re-launch strategy for 'Frooti'.
2. Discuss the rationale behind the 'Digen Verma' campaign. Do you think it will be effective?
3. "The success of a brand is dependent on many factors besides the promotional campaign." Comment.

Caselet 11

The short messaging service (SMS) has emerged as a new marketing tool that companies can use to promote their products. The growing mobile phone population and usage has prompted companies to choose SMS as the new medium for marketing. The list of companies using this medium includes top FMCG companies, television channels and small enterprises.

Mobile advertising has become a viable option because of the coverage it provides. There are an estimated 17 million mobile phone users. A major percentage of them belong to the middle class and above, and can be a good target segment for the companies. The popularity of SMS among the customers is also another reason why companies choose this media. Nearly 5 billion messages were exchanged during the year 2002. Due to better technologies a company can reach these customers with less effort. Mobile advertising is also cost effective as a company can run a nationwide campaign with a budget of just Rs1.5 lakh. Companies like HLL, Reebok, Sony, NDTV and Aaj Tak use this media extensively.

Companies generally use this medium to increase brand awareness about their products. Reebok uses SMS to tell customers about its new arrivals. When the company introduced its National Football League (NFL) sportswear range, it rolled out a promotion campaign in association with Hutch. The campaign consisted of a "Clicks for kicks" contest in which the company asked some questions to consumers and a few among those who answered correctly were awarded prizes. The company received a very good response, with 15,000 messages being received over five days. Using this method the company was able to generate curiosity among consumers about its products.

But, companies are not using SMS just to announce their new product launches. They are also using it to promote their products and build brand loyalty. HLL ran a promotional campaign in Delhi for its popular Axe deodorant. The Company ran contests and offered the Axe logo and ring tone for download. The company registered 18,000 downloads. The RPG group used SMS for promoting its Ceat cricket ratings.

Companies also use SMS advertising to obtain feedback and increase interactivity with customers. This mode is used by TV channels such as NDTV and Aaj Tak. NDTV flashes its number on the screens to encourage viewers to give feedback and questions on popular programs. Aaj Tak runs contests and sends questions to elicit responses from viewers. According to Mr. Krishnan, CEO, Aaj Tak got 1 million messages for a contest which was run as part of the Cricket World Cup. These campaigns are also being used to identify customer needs. From the response it got to the contest, Aaj Tak realized that its viewers were also interested in Sports and so it sent a special correspondent to London to cover the Wimbledon tennis tournament, even though it is a news channel that mainly caters to the Hindi speaking people in the North. Krishnan speaking about the motive behind the channel's SMS advertising initiatives, said, "For me, it means more viewers and stickiness." Sony ran a five-question contest during the airing of the film "Devdas", to increase viewership.

Some companies have moved a step ahead by selling their products through the mobile in what has come to be known as mobile commerce.

Cadbury experimented with mobile commerce by enabling customers to pay for chocolates bought at a chocolate vending machine through SMS. In association with BPL Mobile, Cadbury launched the first SMS-enabled vending machine in India. Thirty such machines were placed at select points in Mumbai. Users could buy the chocolates at these machines and the amount would be added to their monthly mobile bill or deducted directly from the balance in case of a pre-paid card.

In another case, Idea cellular offered M-coupons for the first time in India. Idea cellular sends text messages such as discount coupons and special offers to the customers through SMS, and the customer has to flash these at the relevant retailer to use that coupon.

Companies are also making use of this medium as a revenue stream. Leading portals such as Indiatimes and Rediff use it to run contests besides providing other content. Analysts claim that Indiatimes obtains nearly 10-15% of its revenues from mobile services alone. Using its common number 8888, the company runs various contests and provides content to the customers. It shares the revenues generated through SMS messages with the cellular service providers. For example, when an Airtel user sends a message to other users through the Indiatimes popular dating service, Airtel shares 20-40% of the revenue generated with Indiatimes.

But analysts sound a warning about the customer privacy issues that could arise by using this medium. By sending unsolicited messages, the companies as well as cellphone operators, run the risk of annoying customers, and thereby losing their reputation. They may also end up facing legal problems. The companies therefore need to establish a pull-based promotional strategy wherein they establish a two-way interaction with the customers. By getting the customers' consent for sending messages, the company will be in a better position to send relevant messages to them. The campaigns will also be effective since the customers are willing to receive the messages or to take part in the contest.

With the growing popularity of mobile advertising, companies are making this medium a part of their media mix. With advancement in technologies such as Multi Media Messaging (MMS), mobile advertising may become even more effective.

Questions for Discussion:

1. Why are companies using mobile advertising extensively?
2. In what ways can the companies use mobile advertising in their media mix?

Caselet 12

ITC limited is the leading industrial conglomerate in India with a diversified presence in cigarettes, hotels, paperboards & specialty papers, packaging, agri-business, branded apparel, packaged foods & confectionery, and greeting cards. It achieved a turnover of Rs. 11,194 crores and earned a net profit of Rs. 1371 crores in the year 2002-2003.

ITC was established in 1910 in Kolkata under the name "Imperial Tobacco Company of India Limited", later renamed as ITC limited. In order to reduce its dependence on single product line (cigarettes), ITC started diversifying into other businesses, starting with hotels in the 1970s and paperboards & specialty papers in the 1980s and agri-business in the 1990s. However, growth in its key businesses, cigarettes and hotels, remained stagnant. The occupancy rates in hotels were on a decline due to increased competition and a slump in the Indian economy. The government tightened regulations on tobacco products. It had banned advertising such products on television and radio. The number of smokers declined. Thus, the company was on the lookout for new growth opportunities. Various options were considered including FMCG products, food products, retailing, and garments.

Sanjeev Kesava, Managing Director, lifestyle retailing business division, ITC says "ITC first went about identifying a business where its proven competencies could be synergized."

The company decided to enter the ready-to wear apparel market which appeared to be the most promising among the available options, with an annual growth rate of 24% and a current value of Rs. 4,500 crores. The company identified the relaxed-wear segment valued at Rs. 1,200 crores, growing at an annual rate of 30 percent as the right category to enter. It also appeared to be good fit for the company, according to Kurush Grant, divisional chief executive, tobacco division. He said, "We chose to be in the garments business because we found that we had a lot of synergy with the relaxed-wear segment and in retail."

There is another reason why ITC entered the relaxed-wear segment. The company had been associated with sports for a long time. It had test marketed the "Wills Sport" label at the Golf pro-shop at the Royal Calcutta Golf Course (RCGC) in 1997 with a limited range of t-shirts and accessories. Encouraged by the overwhelming response, ITC expanded to eight other golf courses located at key golfing destinations in India. The success of the label made the company enter the branded relaxed-wear market in a big way.

The company conducted a market research to identify customer needs and preferences in this category. The study revealed that there were limited number of brands available in this segment. Moreover, manufacturers of these brands mass marketed them instead of selling them through limited exclusive outlets. The range offered by these brands was also limited and category specific, like Allen Solly's "Friday Dressing". Consumers complained about the limited choice of brands (particularly for women), the lack of a retail ambiance, and the lack of coordinated outfits. Thus ITC wanted to offer a high quality complete wardrobe to both men and women which conformed to fashion trends in a good retail ambiance. ITC decided to set up a retail apparel store chain named Wills Lifestyle and launch a relaxed-wear range under the label "Wills Sport". The products were targeted at upper-income fashion conscious consumers.

Since the company had no competence in apparel and retail outlet design, ITC selected the American Design Intelligence Group (ADIG) a San Francisco-based consultancy, which specialized in both garment design and retailing. Citing the reasons for picking ADIG, Kamal Bose, Manager (design and merchandising), lifestyle retailing business division, said "We picked ADIG for two reasons. One, American fashion is closer to India than European fashion, which is usually a year ahead.

Second, ADIG offered us both product and store design as a bundled service. Although we saw some great stuff from design houses in Italy and France, these guys are the best in the world on both services taken together."

Since the designs had to suit the Indian requirements, ADIG toured trendy restaurants, pubs, and discos to get an idea about the upper-class Indian consumer's lifestyle. Thus the designs were fine tuned accordingly. Two in-house designers were entrusted with the job of providing an Indian touch to the designs. The garments were made in Bangalore but to maintain international quality, accessories including buttons and elastic were imported.

The store design was also entrusted to ADIG. The company wanted to design the store keeping in view consumer preferences and international retail trends. The store was given a contemporary look through extensive use of glass, steel, and granite. Care was taken to make the stores look spacious so as to provide more elbow room for customers. The company opened its first outlet in New Delhi in the year 2000.

The company promoted the "Wills Sport" collection using Wills brand image as a springboard. Commenting on the Wills brand image, Krishnan Chatterjee, marketing services manager, lifestyle retailing business division, said, “Over the years, Wills has acquired a number of subtle nuances that you can choose. For instance, an active lifestyle, a relaxed mind, both could be very Wills.”

Therefore, the company wanted to promote "Wills Sport" as a brand promoting the values of freedom, relaxation, and superior, globally comparable quality.

At present, the company has 48 outlets in 38 cities. It plans to extend this number to 100 outlets and make "Wills Sport" a Rs. 200 crore brand by 2006. The company is also planning to make a foray into global markets.

Questions for Discussion:

1. Consumers are familiar with "Wills" as cigarette brand. How do you view the company's brand extension of "Wills" to an unrelated product category like garments?
2. ITC has been primarily involved in the business of cigarettes. What could be the possible reasons for its diversification into other areas such as lifestyle retailing?

Caselet 13

Kellogg, the wholly owned Indian subsidiary of the U.S based Kellogg company, entered the Indian market in September 1994 with an initial offering of cornflakes, wheat flakes and Basmati rice flakes.

Kellogg offered good quality products and was supported by the technical, managerial and financial resources of its parent, the world’s leading producer of cereals and convenience foods. But its products failed in the Indian market. Even a high-profile launch backed by hectic media activity failed to make an impact in the marketplace. Kellogg banked heavily on the quality of its crispy flakes. But it had not taken into account the fact that Indians always boiled their milk unlike in the West and consumed it warm or lukewarm. The hot milk made the flakes soggy, affecting taste. Indians also liked to add sugar to the milk. If one used cold milk, the sugar did not dissolve easily and the taste was not sweet enough.

Another factor that worked to Kellogg’s disadvantage was that a typical, average middle-class Indian family did not have breakfast on a regular basis as their Western counterparts did. Those who did have breakfast, consumed milk, biscuits, bread, butter, jam or local food preparations like idlis, parathas, etc. According to analysts, a major reason for Kellogg’s failure was the fact that the taste of its products did not suit Indian breakfast habits. Kellogg sources were, however, quick to assert that the company was not trying to change these habits; the idea was only to launch its products on the health platform and make consumers see the benefits of this “healthier alternative”. Avronsart (Managing Director of Kellogg’s India) remarked, “Kellogg India is not here to change breakfast eating habits. What the company proposes is to offer consumers around the world a healthy, nutritious, convenient and easy-to-prepare alternative in the breakfast eating habit. It is not just a question of providing a better alternative to traditional breakfast eating habits but also developing a taste for grain-based foods in the morning.”

The company’s advertisements and promotions initially focused only on the health aspects of the product. In doing this, Kellogg moved away from the successful ‘fun-and-taste’ positioning it adopted in the US. Analysts commented that this positioning gave the brand a ‘health product’ image, instead of the fun/health plank that the product stood on in other markets. (In the US for instance, Kellogg offered toys and other branded merchandise for children and had a Kellogg’s fan club as well.).

Disappointed with the poor performance, Kellogg decided to launch two of its highly successful brands— Chocos (September 1996) and Frosties (April 1997) in India, hoping to repeat the global success of these brands. Chocos were wheat scoops coated with chocolate, while Frosties had sugar frosting on individual flakes. The success of these variants took even Kellogg by surprise and sales picked up significantly. (It was reported that Indian consumers were even consuming the products as snacks.) This was followed by the launch of Chocos Breakfast Cereal Biscuits.

The success of Chocos and Frosties led to Kellogg's decision to focus on totally Indianising its flavors in the future. This resulted in the launch of the Mazza series in August 1998— a crunchy, almond-shaped corn breakfast cereal in three local flavors – 'Mango Elaichi,' 'Coconut Kesar' and 'Rose.' Developed after a year of extensive research of consumer patterns in India, Mazaa was positioned as a tasty, nutritional breakfast cereal for families.

Kellogg's also began working towards a better positioning plank for its products. The company's research showed that the average Indian consumer did not attach much importance to the level of iron and vitamin intake, and looked at the quantity, rather than the quality, of the food consumed. Avronsart commented, "The Kellogg mandate is to develop awareness about nutrition. There is a lot of confusion between nourishment and nutrition. That is something that we have to handle." Kellogg's thus worked towards changing the positioning of Chocos and Frosties – projected them as 'fun-filled' brands.

In 1995, Kellogg had a 53% share of the Rs. 150 million breakfast cereal market, which had been growing at 4-5% per annum till then. By 2000, the market size was Rs. 600 million, and Kellogg's share had increased to 65%. Analysts claimed that Kellogg's entry was responsible for this growth. The company's improved prospects were clearly attributed to the shift in positioning, increased consumer promotions and an enhanced media budget. The effort to develop products specifically for the Indian market helped Kellogg make significant inroads into the Indian market.

Questions for Discussion:

1. What were the reasons behind the poor performance of Kellogg in the initial stages? Do you agree that a poor entry strategy was responsible for the company's problems? Give reasons to support your answer.
2. Is the company's repositioning of its products on the nutrition/fun platform a step in the right direction?

Caselet 14

Bharat Forge Limited (BFL) is a leading engineering company in India. It registered Rs. 689 crores in revenues for the fiscal year 2002-2003. In January 2003, the company got an export order from a Chinese company Guangxi Yuchai Machinery Co (a part of Second Auto Works) for the supply of engine components. This showed the cost advantage that the company enjoys given the fact that Chinese companies have low production costs as compared to Indian companies. Bharat Forge claims that its production process is 20-25 percent cheaper than the Chinese companies. Exports constituted 40 percent of the total earnings of the company during the year 2002-2003, and it is expected to increase to 50 percent by 2004-05. The important clients include- Daimler Chrysler, Caterpillar-Perkins, Renault, Mercedes Benz, Volvo and Lister Petter in Europe; Mitsubishi Motor Corporation, Isuzu Motors in Japan; Ssang Yong Motor Company in South Korea; and Meritor Automotive and Dana Corporation in the US.

BFL concentrated on the export market as the domestic market did not offer many growth prospects. The company had started focusing on exports from the year 1995 when the domestic market was showing signs of recession.

According to Baba Kalyani, Chairman and Managing Director, “The shift was more of a derisking exercise, implying that even if the domestic market remained flat the company was on the high road to success because the global markets being quality driven are certainly lucrative.”

However, in order to become a global player, the company identified the need to upgrade its production process to match global standards. Consequently, the company had to revamp its production process and train its workforce to effectively meet the needs of the foreign customers. The company has been continuously improving its production process in order to become a globally competitive player.

In the early nineties, while it was still catering to the domestic market, BFL used to produce the products in hammer shops, which are manually operated and have quality and quantity shortcomings. Such production facilities were not suitable for dealing with export orders where quality and speed become the key factors. To overcome these shortcomings, the company installed two state-of-the-art forging Muller Weingarten Press Lines, which have a higher production capacity. These press lines have many advantages over hammer shops. They are automated thus requiring fewer workers compared to hammer shops. Unlike the manual process lines, these automated press lines enabled BFL to deliver high quality products consistently. The cost savings achieved due to the shift from hammer shops to press lines was substantial. The company was able to cut variable costs to the tune of Rs 6,000 per tonne.

Another important factor that was essential while catering to global markets was the speed at which BFL delivered products to the clients. In the products that the company was dealing with, the designing process consumed a lot of time. Previously, the design process was handled manually. But the company decided to automate the design process using CAD/CAM (computer aided design/computer aided manufacturing) processes.

Amit B Kalyani, BFL’s Vice President and Chief Technology Officer, said “designing is a crucial part of any forging business because it plays a major part in reducing the defects in forging.” Automation in the design process helped the company to reduce defects in the products and also helped to increase its bottom-line through cost savings. Consequently, the company was able to reduce its design staff from 100 to 50.

Another area of focus at BFL was capacity utilization. The company increased its capacity utilization from 40 percent before 1997 to 70 percent in the current year.

The company felt that its workforce strategy also needed a change. Since it had automated the production process, the older workforce with obsolete skills were offered voluntary retirement scheme (VRS). At the same time, it retained the younger workforce consisting of engineers, technical experts, and computer literates who had skills and knowledge relevant to the present day environment.

BFL also felt that in order to become a global organization, the decision-making process need to be made simpler and faster. Thus the company revamped its organizational structure. In the words of Baba Kalyani, “A global organization is the one where you don’t break a problem into tasks. Rather, you take a problem, put cross functional teams in place; put a time frame and business processes and fundamentally bring together people from different fields of expertise like engineering, manufacturing, quality and so on.”

To accomplish this Bharat Forge had replaced the multi-tiered structure with a new three layer structure. The first layer consisted of shop floor workers who were responsible for the actual production process. The second layer consisted of the middle management whose role has been changed from supervisory or task-oriented roles to problem-solving roles. The third layer consisted of the senior management who were responsible for providing the direction and leadership required to make the company a global player. The senior management was also responsible for measuring performance and generating rewards.

The above measures helped the company to become one of the top three forging companies in the world. The company aimed at achieving a leadership position in two areas, chassis components for trucks (axles) and engine components.

The company could increase its international customer base from 10 companies in March 2001 to 24 in March 2003. Even though the US was the key market for BFL, it also focused on other emerging markets such as China and Europe to reduce its over dependence on the US market. BFL's export earnings for the year 2002-2003 were at Rs. 271 crore. Its domestic sales had increased to Rs. 417 crore in 2002-2003 registering a growth of 14.9 percent over the pervious period. BFL's net profit stood at Rs 81 crore for the year 2002-2003.

However, analysts feel that the competitive advantage that the company had gained by offering quality products at low cost could easily be replicated by smaller companies due to easy access to cheaper workforce and more advanced technology.

Questions for Discussion:

1. Identify the concept under which Bharat Forge is conducting its marketing activities. What are the drawbacks of the market orientation adopted by Bharat Forge?
2. How can the marketing concept help Bharat Forge in differentiating its products (commodity product) from those of its competitors'?

Caselet 15

Tasty Bite Eatables Limited (TBEL) is a food service business company and its operations include manufacturing and marketing Ready to Serve (RTS) food products, processing vegetables, and leasing cold storage facilities. The ready-to-serve business is the major source of revenue for the company. Tasty Bite is also the most popular ethnic food brand in USA from where the company gets substantial revenue.

TBEL was formed in 1986 by Ravi Ghai and Ravi Kiran Aggarwal. Ghai was also the owner of the Kwality ice-creams, which was a market leader with a market share of over 50%. TBEL set up units to process 10,000 tonnes per annum (tpa) of frozen vegetables and 5000 tpa of RTS foods at Khutbao and Bhandgoan villages of Maharashtra at a cost of Rs. 55.5 million. In February 1987, TBEL brought a public issue of Rs. 7.5 million. The company commenced production in February 1989 and launched its first RTS products in 1990. Following a lukewarm response in the Indian markets, in 1991, TBEL introduced its products in the Middle East, Russia, and the US. The company did not fare well in these markets either. Its failure was attributed to a lack of a focused marketing approach.

In 1992, TBEL entered into a collaboration with the beverage company Pepsi. Pepsi was interested in collaborating with TBEL because government regulations required it to generate one dollar in export sales for every dollar it earned in India. Pepsi agreed to distribute TBEL's RTS products abroad and help TBEL upgrade its facilities. In 1994, when the government abolished the export requirement norms for MNCs, Pepsi walked out of TBEL, claiming that it would rather concentrate on its core business of soft drinks.

In 1995, ex-Pepsi executives Ashok Vasudevan and Kartik Kilachand, who had been involved with TBEL earlier while they were at Pepsi, decided to market TBEL's products in the US. Their US based natural food marketing and distribution company, Preferred Brands International (PBI), acquired exclusive marketing rights for TBEL's products. In 1995, PBI launched five TBEL products in Southern California, and later expanded its business to other parts of the country also.

By the end of 1995, TBEL was in serious financial trouble due to excessive borrowings. Poor response to its products and poor capacity utilization took a heavy toll on the company's financial health. In 1996, Hindustan Lever Limited (HLL) acquired the Kwality ice-cream brand and took over Grand Foods, the holding company of Kwality Frozen Foods. Grand Foods happened to be the holding company of TBEL as well, so TBEL now became an HLL company. However, TBEL continued to perform badly and by March 1997, its accumulated losses touched Rs 96 million. TBEL was declared a sick unit and referred to Board of Industrial and Financial Reconstruction (BIFR).

Ashok Vasudevan, who had worked with HLL for about a decade before joining Pepsi, convinced HLL's management to get TBEL de-registered from BIFR by providing financial assistance. While TBEL's equity capital remained Rs 20 million, the HLL group turned its Rs 120 million unsecured loans into preference capital at a premium of Rs 19.50 per share. As a result, TBEL's net worth increased and the company was de-registered from BIFR.

In 1997, PBI took over TBEL and appointed Ravi Nigam (Nigam) of Britannia Industries as its President. The new management worked out a strategic initiative, which was named the '4C approach,' for reviving the company and turning the business around.

The 4 Cs strategy divided the core business into areas that needed to be focused on: Concentration, Conversion, Collaboration, and Cultivation. As part of the 4C approach the company had planned to expand its business globally as well as in India. It planned to enter the highly competitive US market through its ready-to serve food products.

The company's expansion plans required a considerable amount of money. Payments for placing a product in just one store of a chain in the US ranged between \$ 5000 and \$ 10,000. Even with a narrower base of natural food store chains, it was difficult for PBI to pay \$ 10,000 to each of the 200 stores it had short listed. To overcome this problem, the company undertook a cluster analysis study in various US cities and generated a demographic profile of the customers they needed to concentrate on. The company found that its potential customer's age group was between 25-54, with an average earnings of \$ 75,000 a year. This helped the company narrow its focus and reduce its list of stores from 200 to 80. Consequently payment to be made to the stores was reduced from \$ 2 million to a more manageable \$ 800,000. A smaller list of stores also led to a more focused distribution strategy.

Unlike other Indian food companies, PBI worked very hard to offer its customers products beyond pickles, spices and papads. The company decided to launch a wider range of products specifically targeted at local US customers. After some intensive research, it decided to launch the Tasty Bite range in the \$5 billion natural food category through mainstream retail chains in the US.

PBI also began advertising through sweepstakes at the retail level and in-store demonstrations, thus enhancing product awareness and encouraging customers to try their products. This also helped in significantly lowering advertising costs. The company also focused on increasing the Americans' understanding of Indian food. PBI realized that the average American customer was not able to understand the Hindi names of the products being offered. The company thus decided to slash its product portfolio from 25 to 8 products and retained only those products that were familiar to the American consumer. Also, products were renamed in English for instant identification and easy understanding. Thus, 'Palak Paneer' became 'Kashmir Spinach,' 'Navratan Korma' became 'Jaipur Vegetables,' 'Alu Chole' became 'Bombay Potatoes,' and so on. The recipes were modified to suit the western palate.

PBI also modified the packaging to suit customer requirements. Earlier, products were sold in pack sizes that ranged from 200 gms to 1 Kg. This was replaced with a standard size of 300 gms, as unlike mainstream food in the US, Indian food was not consumed in large quantities. The smaller pack size motivated consumers to give the products a try. By August 2001, the pack size was changed to 285 gms (10 ounces) to bring it in line with American standards of measurement. This also meant that a store shelf now accommodated nine packs as compared to the earlier seven.

By 1998-99, TBEL began reaping the benefits of its turnaround efforts and recorded a net profit of Rs 4.7 million. By the end of 2000, its products were available in 27 US states through 33 leading natural food stores and mainstream supermarkets. By 2001, TBEL's profits increased nearly three-fold to Rs 13.42 million. According to SPINS, an agency that tracked the market shares and consumer preferences of natural food brands in the US, TBEL was the largest brand in this category. Bombay Potatoes (Alu Chole) had become a common side dish for many Americans. TBEL's entry into Holland, Switzerland, and UK was also showing positive results.

Questions for Discussion:

1. Explain how Tasty Bite has selected the target segment? Analyze the pros and cons of Tasty Bite's decision to go for concentrated marketing?
2. In what way did brand name help the company to market its products? How did Tasty bite use brand names to attract customers?

Caselet 16

The cola companies that were urban centric are now shifting their focus on to rural markets. This is evident from their promotional campaigns such as coke's "Thanda matlab Coca Cola" and Pepsi's ad featuring Sachin Tendulkar playing with rural children. The shift in their strategy is due to the huge untapped market of rural India and the increasing aspirational levels of the rural customers.

Soft-drink consumption of rural customers is very low at 2.8 litres per year compared to 7.4 litres per year by the urban consumers. Proliferation of media and the increased income levels of rural consumers have increased their aspirational levels. This made them try out a variety of new products. Moreover rural market share in the total sales of the company is increasing. For example rural sales constitute 30% of the total sales for Coca cola and 15% for Pepsi co.

But in order to tap the rural market, marketing mix needs to be different. In the urban markets the cola drinks could achieve high penetration as the companies could maintain high availability. The cola companies identified that the success (sales) of their products depends on availability and consumer acceptance. So the company decided to tap the rural market by adopting innovative pricing, distribution and promotional strategies. As availability of the product is the prime hurdle for the companies they have focused on strengthening the distribution network. Commenting on this issue George Kovoor, Executive Vice-President, Traditional Trade, Pepsi Foods Ltd, said: "The major challenge which we face in the rural markets is availability. Since soft drinks are sold in returnable glass bottles, one cannot sell through the conventional FMCG wholesale channel to drive availability in rural markets."

Pepsi has adopted hub and spoke model of distribution wherein the company directly replenishes the stock at the distributors and distributors in turn distribute them to the retailers in their designated area.

Coca Cola also adopts a similar model. The spokesperson for Coca Cola said "We use all possible means of transport that range from trucks, auto rickshaws, cycle rickshaws and hand carts to even camel carts in Rajasthan and mules in the hilly areas, to cart our products from the nearest hub."

Gaining customer acceptance for their product was another key task for the cola majors. So cola companies have to provide good value proposition for the customers to buy the product. Thus companies have focused on providing chilled product to the customer in smaller quantities making the product affordable and tempting to the customer.

Sensing the difficulty of retailers in remote villages in keeping the product chilled due to inconsistent power supply Coca Cola has provided rural retailers with non-electric chilling equipment. Pepsi has developed refrigerators to withstand the harsh conditions of the rural areas, such as high voltage fluctuations, poor ventilation, high temperatures and dusty environment.

The next aspect that the companies focused on was the packaging of the product. Since the consumption of soft drinks was very less, companies offered the products in smaller quantities to encourage customers to try the product. Thus 200 ml packs are launched. The bottles used are returnable glass bottles to cut cost and provide the product to the customers at a lower price.

As rural market is highly price sensitive, companies have taken care that the price should be affordable to customers. Talking about this aspect Mr. Kovoor said, "We try and make our products affordable in terms of unit price point. We also take into consideration the price of the `alternate beverage' options that the consumer has in these areas."

Both the companies have fixed the price of the bottle at Rs 5 for similar reasons. The price is affordable and appealing to the customers.

Companies had to present a strong reason to the customers (particularly the rural customers) to make them buy the product. Speaking on this issue Kovoor said, "The issue in the rural markets is not spending power. In fact, most rural consumers have the spending power, but they have to be given a tangible reason to buy a soft drink when they have other options to quench their thirst, such as water or a homemade sherbet."

So companies devised special promotional strategies to target the rural customers. They created specific ads targeting the rural customers. Coke's "Thanda matlab Coca Cola" campaign has been a success with Aamir Khan as a rural person. Pepsi also created campaigns such as the kite flying ad featuring Tendulkar and Amitabh Bachaan who are easily recognized by the people all over the country. The aim of such promotions is to connect the rural customers with the product.

Apart from the mainstream promotion, companies have gone for field promotions. Both the companies participated in village melas and haats. They set up special kiosks and promoted the products on price platform. Companies displayed posters of the celebrities at these kiosks, and this appealed to the customers. Commenting on their promotional strategy Coca Cola's spokesman said, "Apart from this, all our outdoor and indoor communications are also integrated to capture the `consumer connect' that is established through our TV ads."

Questions for Discussion:

1. Comment on the effectiveness of the promotional strategies adopted by the cola companies to attract the rural customers.
2. Analyze the distribution strategies of the cola companies in reaching the rural customers?

Caselet 17

Max Healthcare is a subsidiary of the Max Group, which has diversified interests in insurance, information technology, healthcare and clinical studies. Max Healthcare has an ambitious plan to set up an integrated healthcare system consisting of three levels of care centers- primary healthcare centers, secondary healthcare centers and tertiary healthcare centers. Primary healthcare centers are neighborhood clinics which cater to the minor healthcare needs of the population in a particular area. Secondary healthcare centers offer multi-specialty medical services along with diagnostic services. Tertiary healthcare centers are super-specialty hospitals that offer the entire range of healthcare services.

The Indian healthcare industry is valued at Rs. 103,000 crores, and is growing by Rs. 10,000 crores every year, most of this growth is led by the unorganized sector. In India, 80% of the healthcare facilities are managed by private sector entities. Apart from the size of the market, the shortage of healthcare facilities was another factor that encouraged Max to enter this segment. Hospital beds are in short supply in India. India has just 1 bed for every 1,000 people against the WHO norm of 3 for every 1,000 people. WHO estimates that 80,000 beds need to be added every year for the next five years to cover the shortage. The doctor to people ratio in India is 48 doctors for every 1 lakh population against 255 doctors for every 1 lakh population in USA. Max Healthcare wants to build a healthcare brand to differentiate its service in the market, and thus capture a large portion of the organized market.

Max is planning an overall outlay of Rs. 400 crores for setting up this integrated model in the National Capital Region (NCR), in the first phase to be completed by 2004. The company plans to set up 25-30 primary health care centers branded as ‘Dr Max’ with investment ranging between Rs 10 lakhs - Rs 50 lakhs each, four secondary health care centers branded as ‘Max Medcenters’ with an investment of Rs 16-24 crores each, and two super specialty hospitals branded as ‘Max Hospitals’ with an investment of Rs 150-200 crores for each hospital. Based on the success in the NCR, the company is to decide on its nation-wide rollout.

By setting up such an integrated model, Max wants to develop a bottom-up model of a healthcare system which would be the first of its kind in India. So far, most healthcare providers have followed a top-down approach where they start with setting up super-specialty hospitals first, and only later focus on secondary healthcare centers and primary healthcare centers (See Table 1).

Table 1: Description of major health care providers

Hospital	Tertiary care centers/secondary care	Primary care
Apollo Hospitals	3 major super specialty hospitals in Hyderabad, Delhi, and Chennai. 20 other tertiary and secondary healthcare centers spread across the country.	46 clinics spread across the country. Plans to open 250 clinics on franchisee basis.
Wockhardt Hospitals	Two super-specialty hospitals in Bangalore and Kolkata. Plans to add another five hospitals. No presence in secondary care.	No plans.
Fortis	Cardiac care specialty hospital at Mohali. one heart emergency centre in Ludhiana in secondary care	No plans

The logic behind the bottom-up approach is that the company wants to build a hub and spokes model where the tertiary healthcare center forms the hub for the spokes which are the primary and secondary healthcare centers. Thus the secondary and primary health care centers capture the patients, and the tertiary healthcare centers get business from patient referrals of the primary and secondary healthcare centers. Max wants to keep the business within its sphere by providing the customer with the entire gamut of healthcare services starting from diagnostics and minor check-ups to complicated surgeries. Another factor that has made the company to adopt such model is its desire to build a healthcare brand. By setting up integrated healthcare facilities under an umbrella brand, the company wants to capture the highly unorganized healthcare market. The initial focus of Max's strategy is on the primary and secondary healthcare segments where at present individual practitioners or small hospitals dominate the scene.

In order to adopt the hub and spokes model successfully, Max is focusing on two key areas: ownership of the facilities, and personnel policies. The company has decided to own all its facilities instead of franchising them. By setting up their own centers the company can standardize the services across its operations.

The second key issue was the personnel policy regarding the recruitment of doctors for its facilities. There are two models that are widely adopted by healthcare providers for staffing in India the revenue-sharing model and the staff model. In the revenue-sharing model a company recruits doctors as consultants and provides remuneration on a revenue-sharing basis. In this model, the doctor fixes the consultation fees depending upon his/her reputation and specialization. The revenues obtained are shared by the service provider and the consultant. In the staff model, the doctors are on the rolls of the company and get fixed monthly emoluments. Apollo Hospitals uses the revenue sharing model widely; most of its 1,500 doctors work on a revenue-sharing basis. But such a model has some drawbacks. Since the doctors' revenue depends on the number of patients treated, they try to treat a larger number of patients which may result in a decrease in service quality. Another complaint about such a model is that doctors tend to overcharge the patients, affecting the reputation of the service provider.

On the other hand, as salaried doctor has no incentive to overcharge, or treat a larger number of patients, he/she can provide better services to the patients. Max adopted the staff system in its hospitals. Max also de-linked the function of bringing in patients from its doctors. Bringing in patients was entrusted to a 10-member corporate relations and marketing team. Thus the doctor can focus on providing better treatment to the patients. Patient care coordinators are recruited to take feedback from the patients, so that doctor's performance can be evaluated.

But analysts are doubtful about the viability of such a bottom-up healthcare service model. Analysts point out that companies are just adopting western medical practices which are often not accepted at the lower levels in India.

Questions for Discussion:

1. Analyze the healthcare services model adopted by Max Healthcare. What are the challenges that Max has to overcome in order to make this business model a success?
2. Critically analyze the steps taken by Max to make its healthcare venture successful?
3. What steps can the company take to gain the trust of customers and draw traffic towards its primary healthcare service centers?

Caselet 18

HLL, an FMCG major, is a key player in the beverages industry, with strong brands like Red Label tea and Green Label coffee in its fold. HLL recorded sales of Rs. 1, 565 crores in the beverages category for the year 1998, and beverage sales contributed 16% of the total revenues of the company. HLL is the market leader in both the tea and coffee businesses.

However during the year 1999, HLL's revenues from tea sales dipped sharply to Rs. 1,310 crores. At that time the tea market as a whole was experiencing flat sales. This prompted the company to undertake to understand the tea market more closely, and study the tea consumption patterns of customers to identify the gaps which HLL could take advantage of.

HLL has brands targeted at consumers from all income groups. They are categorized into the popular, economy and premium segments. In the popular segment, the company has brands like A1 and Tiger. In the economy segment, the company has Brooke Bond Red Label, and Lipton Taaza. At the high end, the company has Brooke Bond Taj Mahal and Lipton Yellow Label.

A three-year study conducted to evaluate the tea consumption patterns of customers by IMRB has provided some important findings. The study found that the reasons for drinking tea varied depending upon the social class the consumer belongs to. The lower income group consumer drank tea to get energy. The middle class customer consumed tea for relaxation. The upper-income group consumer consumed tea for social reasons. Analysts claim that tea companies need to position their brands based on the consumer perception with regard to tea. Companies targeting the lower end segment need to position their products as energy drinks, while the economy segment products should highlight the relaxation aspect. For the higher end segment, celebrity endorsements of the tea brand would help the company to attract the customers.

These findings were used by HLL to refocus its brands to suit the needs of each segment. A1 and Tiger were repositioned as brands that have strong flavor and provide energy. These products were targeted at the loose tea consumers in order to upgrade them to branded tea users. The company came out with new variant of A1 that is fortified with vitamins which the company claims provides extra energy. One analyst said, "Especially in a commodity like tea, the ingredient story goes down well at the lower end rather than the popular or premium segments".

In the economy segment also, the company repositioned Red label and Taaza to appeal to middle class consumers. Lipton Taaza was relaunched in a new nitrogen flushed pack which retains the freshness of tea powder for a longer period of time. Taaza was also positioned as a product that provides relaxation.

In the premium segment to attract the upper-income group customers company roped in leading tabla player Zakir Hussain to endorse the Taj Mahal brand.

Speaking on these initiatives Mr. S Ravindranath, director beverages, of HLL, said "We are giving customers a reason why to buy our brands."

HLL found that nearly 30% of the tea business comes from out-of-the-home consumption which is a relatively untapped market for branded players. The company has found that roadside tea stalls and vending machines constitute the bulk out-of-the-home tea consumption. So the company has focused on these two segments to drive its growth.

HLL identified that tea stall vendors had a different set of needs than the end-consumer. Their tea consumption varies according to the end-consumer demand. They need tea which provides strong flavor and gives a larger number of cups. Moreover they are not brand-conscious. HLL has thus identified that if it can provide the product that addresses the needs of these "hot tea shops" (as they are termed by HLL), it can easily convert them into customers. Speaking on this issue, Mr. Ravindranath said, "For him, we decided to use good quality product and good service as the customer proposition".

HLL has decided to supply quality tea to the vendors on a daily basis. Through this, the company hopes to wean the tea vendors away from loose tea suppliers. HLL has created a unique distribution channel for providing a daily supply to these roadside stalls. About 800-1,000 people on cycles deliver the supply, ranging from 500gms-5kg packs to these stalls. At present HLL sells nearly 15,000 tonnes of tea daily through this route. To increase sales further, the company has set up the 'Good Life' club. The vendors who join the club will get incentives or freebies for every purchase. Hence the buyer has an incentive to purchase more of the product.

Another area that HLL wants to focus on is the vending machines business. Vending machines are more popular in urban areas and are patronized mainly by middle class consumers. The company wants to increase the number of vending machines from the present 20,000 units that are located at airports, offices, railway stations across the country, to 25,000 units by the end of the year 2000, and 75,000 units by the end of the year 2003. The company now wants to tap the growing youth market, too. But the company faces competition from other beverages such as soft drinks, lassi and flavored milk. Thus to attract new customers to the company's vending machines, it is adding new variants to plain tea and coffee like flavored tea, cold coffee, and espresso coffee. Apart from these moves, the company has also introduced Lipton iced tea in select markets. This product competes directly with Coke and Pepsi. To build a trendy image around the product, the company is sponsoring music shows, and other such youth-related events. HLL also plans to position the product on the health platform. For this company is roping in leading healthcare professionals to endorse the brand.

Questions for Discussion:

1. Comment on the strategy used by HLL to segment the consumer tea market. How did it position its brands in each of the segments?
2. Analyze the HLL strategy to gain business from tea stall vendors? How did HLL succeed in attracting tea stall vendors?

Caselet 19

Honda City with 60,000 units sold since its launch five years ago, is a successful mid-size car model for Honda Siel Cars India Ltd (HSCI). However, the company surprised industry watchers by rolling out an all-new Honda City with a complete makeover and a heavy price cut. This was done when it had recorded a healthy 10,338 units of sales for the period January-October 2003. The new Honda City is made available in three models- Exi priced at Rs 6.67 lakhs, Gxi priced at 7.07 lakhs and CVT priced at Rs 7.67 lakhs.

The company's move was prompted by various factors. In 1998, the company launched Honda City in India. The car was based on its globally successful Honda Civic platform. The price ranged between 7-8.6 lakhs. The car was placed in the mid-sized and luxury car segment that held 10% of total passenger car market share. The lower end mid-sized car segment had the Maruti Esteem, Daewoo Cielo and the Ford Escort; at the higher end, the Mitsubishi Lancer and the Opel Astra were dominating the scene. Beyond that, the customer had limited options in the form of the Mercedes E-class and imported cars like BMWs. Honda filled the gap by positioning its car between these segments. The Honda City had more features and a better design than the low-end cars and a lesser price than the high-end offerings.

However, at present this segment is witnessing rapid changes. The car models in this segment have increased from 8 models in 1998 to as many as 14 models in 2003. New entrants at the lower end - Hyundai Accent, Ford Ikon and Tata Indigo, are offering

Honda City's key features style and power. It is difficult for Honda to justify its premium pricing when the same features are available at lower prices in other models. This was reflected in the market shares during the year 2003. Accent, Ikon and Indigo were at 20%, 14% and 21% respectively while Honda City's market share declined from 14% in 1999 to 10% in 2003. At the higher end of the mid-size segment, Skoda Octavia and Chevrolet Optra are the new entrants. A semi-luxury segment has emerged with the entry of Hyundai Sonata, Ford Mondeo, Mercedes C-class and Honda's Accord. Such developments have weakened the positioning of the Honda City.

This made the company review its marketing mix for Honda City. It felt that the lower end had good market potential. "We will aim at the 'upgraders' to widen our customer base and thereby our volumes," says H.Yamada, President and CEO of HSCI. Therefore, the company has reduced the price in line with the lower end models. The engine and the car have been completely remodeled. The car has a low powered engine (77 bhp) than the older model (90-110 bhp). Reduced power has been compensated with increased fuel efficiency. It now gives a mileage of 17.5 Km/l mileage, which is 40% more than the pervious version. The car design has been made slicker to keep up with changing customer preferences.

Changes taking place at the global level also prompted the company's decision to launch a newer version of Honda City in India. Globally, the parent company has launched a newer version of Honda City named Fit Aria. In Europe, the model is marketed under the brand name Jazz. Asian markets, where the older Honda City is still being sold, are also slowly changing to this model. Thailand, which is a major manufacturing base for Honda, has now stopped producing the older version. This has put HSCI in a tight spot, since it sources major parts of the model from Thailand manufacturing plant. Though the company has localized its production up to 70%, it depends on Thailand for supply of gearboxes and engines. The other alternative is to source those parts directly from Japan, which will increase the cost. Moreover, this will eliminate the advantage of using the free trade agreements that exist between India and Thailand. Thus going by the global strategy adopted by the parent company, HSCI has shifted to the Fit Aria model. However, company has retained the Honda City brand as it has high brand recall among Indian customers. The industry is optimistic about the success of the new model. Honda expects the sales of its new model to touch 20,000 units this year. Mohan Mariwalla, the owner of the Linkway Honda showroom in Mumbai says, "While we sell about 67 units of the old City per month till now, we expect to sell approximately 140 units of the new City."

Questions for Discussion:

1. Examine the reasons behind Honda's move to re-launch its highly successful Honda City model with a complete makeover and a price cut of as much as Rs 1 lakh?
2. Do you think the company's move to reposition the car on the fuel efficiency and price platform will work?

Caselet 20

Till the year 2002, the Indian traveler rarely traveled by air as the fares were much higher than those for road and rail travel. But in 2002, the companies offering air travel changed the market dynamics completely. For the first time in the history of the industry, efforts were made to make air travel affordable to a larger section of the population, leading to an unprecedented development in the commercial aviation industry in the country.

The reason for this change in strategy is not very difficult to understand. Though there were only three major players in the Indian aviation market, namely Jet Airways (JA), Air Sahara (Sahara) and the state-owned Indian Airlines (IA), competition was getting fiercer by the day. To counter the competition, the companies had to resort to pricing wars.

It started in June 2002 when IA announced a 3-15% cut in fares for all classes on the western sector and on Delhi-Srinagar, Delhi-Jammu, and Delhi-Khajuraho routes. The next day, JA reduced its prices by Rs. 635 for the economy class on the Mumbai-Nagpur route and the Mumbai-Goa route.

One of the most innovative offers (following the global aviation industry's footsteps) was the Advanced Purchase Excursion (APEX) fares scheme, under which passengers who booked their tickets at least three weeks in advance, got a huge discount in fares. IA introduced the APEX fares under its 'U Can Fly' scheme and JA under the 'Everyone Can Fly' scheme.

However, passengers had to face two disadvantages under the Apex scheme. Planning air travel three weeks in advance was not very convenient. Cancellation charges were also high. Passengers had to lose 50% of the ticket price if the ticket was canceled less than 21 days before the travel date. Despite these disadvantages the scheme proved very successful for IA. Around 1,600 passengers fly every day under the scheme. Revenue generation and passenger load factor have also increased.

JA also reported an increase in the number of passengers flying after the introduction of APEX fares. Saroj Dutta, Executive Director, JA, said, "The average number of passengers flying out on advance purchase tickets is around 1,500 per day. That means we are selling most of the 1,850-2,000 seats offered every day under the concessional window. The response is very encouraging for a scheme which has been introduced only recently."

Sahara went in for a different approach. It adopted an intelligent marketing strategy, offering innovative schemes rather than APEX fares. U K Bose, CEO, Sahara, said, "While the two rivals fish for railway passengers, let's tap their customer base. Therefore, Air Sahara has advance purchase offers on the Net with high discounts while going all out through the marketing network with its 'Sixer' and 'Super Sixer' schemes which are free of the riders that dog advance purchase fares. For a fixed sum, both schemes offer travel on six sectors, with no need for advance booking or photo-identity which is necessary for APEX concessions."

In March 2002, Sahara launched a unique 'Wings & Wheels' scheme in the metros – Delhi, Mumbai, Kolkata and Chennai. The scheme offered complementary air-conditioned coach services for picking up passengers at designated points in the cities and dropping them at the airport. The coaches also dropped passengers from the airport at certain locations within the city. The coach with attendants on board, offered add-ons like magazines, newspapers, mineral water, soft drinks, and other refreshments.

During July-August, Sahara launched the 'Sixer' offer, a limited offer scheme for all passengers, which enabled the passengers to buy a six-flight coupon ticket and fly any six sectors on the carrier's network for Rs 25,000. The validity of the ticket was till December 2002. Analysts felt that the scheme was successful because of the flexibility it offered. If one planned properly, the price of the tickets would work out to less than the APEX fares offered by IA and JA.

However, what attracted the most attention from industry observers was Sahara's 'Steal a Seat' online bid scheme in August 2002. Under the scheme, the base price for the tickets was kept at Re 1, and the scheme was open to passengers flying 25 days later. For unsuccessful bidders, there was another scheme called the 'Steal Buys' scheme under which they could bid 24-15 days in advance at a reserve price, which could work out much cheaper than the APEX fares offered by IA and JA. Sahara also offered the Delhi-Mumbai ticket for Rs 4,000 if it was bought between 15-19 days in advance, whereas IA and JA charged at Rs 5,535 and Rs 5,405 respectively for the same time period.

On August 15, 2002, IA launched the scheme 'Wings of Freedom,' valid from August 15 to March 31, 2003. This scheme offered unlimited travel on the domestic network for seven days for Rs 15,000 (economy class) and Rs 20,000 (business class). The airline also planned to increase the commission of its agents and offer incentives for the most productive agents. At the same time, it also launched the 'Bharat Darshan (India tour)' which allowed unlimited travel for passengers who bought tickets worth more than Rs 80,000.

Industry observers remarked that the most interesting feature of the price war in 2002 was that Sahara, the smallest of the Big Three, was the most aggressive. Apart from launching the novel bid schemes, it also offered the highest agent commissions to increase volumes of the tickets sold, while maintaining the lowest fares. Moreover, while IA and JA were expected to revert to the original prices at the end of the lean season, i.e., October, many of Sahara's schemes would stretch till the year-end.

Though the fare war is not expected to end very soon, analysts feel it will affect the financial stability of the private carriers in the long run. While IA owns the aircrafts and is funded by the government, both the private carriers survive on leased aircrafts. This lowers their margins and makes it difficult for them to sustain these costs in the long run.

Some analysts feel that it is too early to predict the impact of the price war. Though the number of passengers increased in 2002 as compared to 2001, it was mainly attributed to school holidays and increase in the number of business travelers.

Questions for Discussion:

1. Examine the innovative schemes initiated by the three airlines in 2002. Do you think that the promotional programs undertaken by the airlines are likely to increase the customer base and contribute to corporate viability? Is the intense rivalry exhibited through price-cutting (by industry participants) undermining their viability in the long run?
2. What strategies would you suggest for an airline company in the Indian aviation industry to enhance market share and increase user base?
3. What are the various environmental factors that influence the pricing decisions in the airline industry?

Caselet 21

In May 2003, a survey of 'Global Mega Brand Franchises' revealed that the Nivea cosmetics brand had a presence in the maximum number of product categories and countries. The survey, conducted by the US-based A.C Nielsen, aimed at identifying those brands which had 'successfully evolved beyond their original product categories.' A key parameter was the presence of these brands in multiple product categories as well as countries. Nivea was the market leader in skin creams and lotions in 28 countries, in facial cleansing in 23 countries, in facial skin care in 18 countries, and in suntan products in 15 countries. In many of these countries, Nivea was reportedly believed to be a brand of local origin – having been present in them for many decades. This fact went a long way in helping the brand attain the leadership status in many categories and countries. In its home country Germany too, many of Nivea's products were the market leaders in their segments. This market leadership status translated into superior financial performance. Between 1991 and 2001, Nivea posted double-digit growth rates every year. For 2001, the brand generated revenues of € 2.5 billion, amounting to 55% of the parent company's (Beiersdorf) total revenue for the year. According to analysts, the brand was the single largest factor for the

4.4% increase in the company's revenues (€ 4.74 billion) and 10.7% increase in after-tax profit (€ 290 million) for the year 2002.

The 120-year-old, Hamburg (Germany) based Beiersdorf has often been given the credit for meticulously building the Nivea brand into the world's number one personal care brand. According to a survey conducted by A C Nielsen in the late 1990s, the brand had a 15% share in the global skin care products market. While Nivea had always been the company's star performer, the 1990s were a period of phenomenal growth for the brand. By successfully extending what was essentially a 'one-product wonder' into many different product categories, Beiersdorf silenced many critics of its umbrella branding decisions.

Millions of customers across the world have been familiar with the Nivea brand since childhood. The visual (color and packaging) and physical attributes (feel, smell) of the product stayed on in their minds. According to analysts, this led to the formation of a complex emotional bond between customers and the brand, a bond that had strong positive undertones. According to a superbrands.com.my article, Nivea's blue color denoted sympathy, harmony, friendship and loyalty. The white color suggested external cleanliness as well as inner purity. Together, these colors gave Nivea the aura of an honest brand.

The key brand values of Nivea (namely mildness, reliability, gentleness, protection, high quality and value for money) ensured that generations of customers kept patronizing Nivea. Commenting on the reasons behind the brand's popularity, Uwe Wolfer, a Beiersdorf board member, said, "Outstanding quality products to meet consumer needs at the right time and constant updating of the advertising approach – these are the essential factors in Nivea's success, keeping the brand young, attractive, sympathetic and familiar."

To customers, Nivea was more than just a skin care product. They associated Nivea with good health, graceful ageing and better living. The company's decision to associate Nivea with many sporting events, fashion events and other lifestyle related events gave the brand a long-lasting appeal. In 2000, Franziska Schmiedebach, Beiersdorf's Corporate Vice President (Face Care and Cosmetics), commented that Nivea's success over the decades was built on the following pillars: innovation, brand extension, and globalization.

Innovations and brand extensions went hand-in-hand for Nivea. Extensions had been made back in the 1930s itself and had continued in the 1960s when the face care range, Nivea Visage, was launched. However, the first major initiative to extend the brand to other products came in the 1970s. Naturally, the idea was to cash in on Nivea's strong brand equity. The first major extension was the launch of the 'Nivea for Men' aftershave in the 1970s. Unlike other aftershaves available in the market that caused the skin to burn on application, Nivea for Men soothed the skin. As a result, the product became a runaway success.

The positive experience with the aftershave extension inspired the company to further explore the possibilities of brand extensions. Beiersdorf also felt that Nivea's unique identity, the values it represented (trustworthiness, simplicity, consistency, caring) could easily be used to make the transition to become an umbrella brand. The decision to diversify its product range was believed to have been influenced by intensifying competitive pressures as well. L'Orèal's Plenitude range, Procter & Gamble's Oil of Olay range, Unilever's Pond's range, and Johnson & Johnson's Neutrogena range posed stiff competition to Nivea.

Though Nivea was the undisputed market leader in the mass-market face cream segment worldwide, its share was below Oil of Olay's, Pond's and Plenitude's in the US market. While most of the competing brands had a wide product portfolio, the Nivea range was rather limited. To position Nivea as a competitor in a larger number of segments, the decision to offer a wider range was inevitable.

Beiersdorf's research center, which employs over 150 dermatological and cosmetics researchers, pharmacists and chemists, supported its thrust on innovations and brand extensions. During the 1990s, Beiersdorf launched many extensions including men's care products, deodorants (1991), Nivea Body (1995), and Nivea Soft (1997). Most of these brand extension decisions can be credited to Rolf Kunisch, who became Beiersdorf's CEO in the early 1990s. Kunisch firmly believed in the company's 'twin strategy' of extension and globalization.

By the beginning of the 21st century, the Nivea umbrella brand offered over 300 products in 14 separate segments of health and beauty. Commenting on Beiersdorf's belief in umbrella branding, Schmiedebach said, "Focusing your energy and investments on one umbrella brand has strong synergetic effects and helps build leading market positions across categories." A noteworthy aspect of the brand extension strategy was the company's ability to successfully translate the 'skin care' attributes of the original Nivea cream to the entire gamut of products.

The company ensured that each of its products addressed a specific need of consumers. Products in all the 14 categories were developed after being evaluated on two parameters with respect to the Nivea mother brand. First, the new product had to be based on the qualities that the mother brand stood for, and second, it had to offer benefits that were consistent with those that the mother brand offered. Once a new product cleared the above test, it was evaluated for its ability to meet consumer needs and its scope for proving itself to be a leader in the future. For instance, a Nivea shampoo not only had to clean hair, it also had to be milder and gentler than other shampoos in the same range.

Beiersdorf developed a 'Nivea Universe' framework for streamlining and executing its brand extension efforts. This framework consisted of a central point, an inner circle of brands and an outer circle of brands. The center of the model housed the 'mother brand,' which represented the core values of trustworthiness, honesty and reliability. While the brands in the inner circle were closely related to the core values of the Nivea brand, the brands in the outer circle were seen as extensions of these core values. The inner circle brands strengthened the existing beliefs and values associated with the Nivea brand. The outer circle brands, however, sought to add new dimensions to the brand's personality, thereby opening up avenues for future growth.

Every brand in the portfolio either enhanced or expanded the associations with the mother brand. For instance, Nivea Visage offered the core values and enhanced the mother brand by adding its feminine and technologically advanced image to it. The deodorants range extended the core values by adding personal hygiene and body care benefits to it. By following this kind of framework, Beiersdorf was able to ensure that the various sub-brands benefited from the attributes of the umbrella brand.

The extensions into decorative cosmetics, hairstyling and technologically advanced products (such as the Nivea Visage cleansing strips and facial cream Nivea Visage Q10) were accepted well by customers across the globe. Beiersdorf's extension decisions helped rope in many new customer segments: men (men's care), women with mature skin (Nivea Vital), and people who purchased cosmetics (Nivea Beautè). Commenting on Beiersdorf's success with various Nivea product categories, Jan Lindemann, Global Director (Brand Valuation) at Interbrand, said, "They are a classic example of how far you can go with brand extensions." In Interbrand's annual list of the world's 100 most valuable brands for 2002, Nivea posted the second largest gain of 16% in its brand value – largely due to its success with the brand extensions.

Questions for Discussion:

1. How can you explain the success of Nivea as a mother brand that has been extended to 14 categories of products?
2. What are the pros and cons of adopting the umbrella branding strategy for a personal care products manufacturer like Beiersdorf?

Caselet 22

The Himalaya Drug Company (HDC) is a leading Indian herbal health care company. In the financial year 2000-01, the company's revenues amounted to Rs 2.5 billion and its operations were spread over 55 countries around the world. The Company offers products in four segments – medicinal supplements, personal care products, pure herbs and animal health products. In 1999, HDC decided to refocus its branding strategy. According to market research conducted by it, most consumers perceived Ayurveda as an age-old branch of medicine, which was revered but not accepted as being reliable for treating ailments. Thus, the two major tasks for HDC in India were to establish an image for itself and promote the message that Ayurveda was as modern and vibrant a science as any other. HDC realized that it needed a campaign, which would be able to destroy the commonly accepted notion of Ayurveda as something developed by 'sadhus' (saints).

HDC adopted a three-pronged strategy to present Ayurveda as a contemporary form of medicine. The company aimed to project the fact that products under the Ayurvedic Concepts range addressed the complete body, and did so better than anything else as they were formulated with R&D support. The brand was promoted with the tagline, 'Get on with your life,' which indicated that its products helped people cope better with the pressures of modern life.

HDC and its advertising agency, Contract, decided that the product's positioning had to be conveyed strongly by a protagonist. After considerable deliberations, it was decided that the protagonist would be 'Dadima'. Soumitro Banerji (Banerji), Executive Vice-President, Consumer Products, HDC, said, "In our institution, the grandmother is still a very warm, loved, trusted and respected figure. The only problem the consumer feels is that the grandmother has to be contemporary before her advice can be listened to." To address the above 'problem', the advertisements very subtly revealed that 'Dadima' was a double-doctorate in molecular biology. In the TV commercials, the goodness of Ayurveda was projected by the warm and lovable Dadima who knew the present day generation well. Moreover, she spoke in English, a language youngsters use to communicate with each other.

The campaign was targeted at cable and satellite households. During February-March 1999, HDC ran over 2000 spots on various leading channels. After the initial round, the campaign maintained an 'event-based' presence all through the following year. Company sources claimed that the campaign was a huge hit and that HDC received three letters a day on an average, appreciating it.

Even as the company's advertising strategies were being acclaimed, there were many who disapproved of its decision to directly reach out to the consumers instead of opting for the 'tried-and-tested' chemist-doctor route. However, the company went ahead with its plans and established exclusive retail outlets to sell its Ayurvedic Concepts products. This was done keeping in mind the fact that there was an increasing trend for self-prescription among the Indian consumers. The direct-to-consumer communication and distribution channel would prove beneficial in the long run, it was felt. Although these outlets were small, they were designed according to the latest international standards. HDC made use of attractive point-of-purchase (POP) to ensure brand visibility by merchandising and displaying details about products.

In an innovative move, HDC stationed a 'consultant' in each outlet to counsel and guide customers regarding their ailments/problems and suggest suitable Ayurvedic Concepts products. In addition, the company positioned 'Concept Girls' in all major outlets to help the customer understand and select the right products. The role of the concept girls was similar to that of the consultant, the only difference being that they were more 'sales-oriented' in their approach.

In addition to these exclusive outlets, the products were made available at various supermarkets, departmental stores and other retail outlets. HDC appointed sales officers who detailed the entire range of Ayurvedic Concepts to retailers to enable them generate better sales. Banerji said, “They have been provided with an attractive detailer and have been told of the importance of proper, exhaustive detailing of our products to the retailers.” Concept girls were positioned at these retail outlets as well.

Moreover, HDC decided to opt for a ‘balanced approach’ in terms of how its prices compared with those of its competitors. Its competitors included Indian subsidiaries of global FMCG giants Unilever (Hindustan Lever Ltd. – HLL), Procter & Gamble (P&G) and L’Oreal. Due to its strong R&D, product development and marketing efforts, Ayurvedic Concepts was able to garner business worth Rs 150 million in 1999, Rs 250 million in 2000 and Rs 400 million in 2001.

However, in a surprise move in December 2001, HDC announced that it would bring its domestic and global brands under a single global brand, ‘Himalaya,’ with a new logo and brand identity. The company’s website stated, ‘Our new brand identity communicates the very essence of our company.’

The rationale behind HDC’s decision soon became apparent when company sources revealed that the immense popularity of Ayurvedic Concepts as a brand was posing a threat to the company’s identity. Medical practitioners as well as consumers were reportedly unaware that Himalaya was the mother brand of Ayurvedic Concepts. Ravi Prasad, President & COO, HDC, said, “That’s when we felt the need for a unified, umbrella brand.”

Analysts also felt that Ayurvedic Concepts was facing trouble in north India, as the company had failed to find a suitable Hindi word for ‘Concepts.’ On a broader level, the decision to change the brand name to Himalaya was reportedly based on HDC’s decision to provide herbal healthcare on a single platform. Research conducted by the company showed that consumers the world over were familiar with the word ‘Himalaya.’

All the products were given a similar look and packaging. It was decided that the name Ayurvedic Concepts would continue to appear on the packaging but in small print. The advertisements for the range were based on ‘product truths’ and consumer beliefs about herbs. Though HDC had announced that it would retain ‘Dadima’ as the brand ambassador, it did not do that. As a part of its re-branding exercise, the company significantly changed the look of its retail outlets. The ambience of the outlets was given special attention. HDC’s decision to bring all its products under the Himalaya brand name was expected to make it much easier to communicate with customers across 55 countries. Even as it faced accusations from industry observers for having wrongfully ‘killed’ Ayurvedic Concepts and ‘Dadima,’ the company seemed to move on effortlessly.

Questions for Discussion:

1. In present times wherein companies are rushing towards celebrity and ‘youth-centric’ endorsements for their products, Ayurvedic Concepts’ ‘Dadima’ took the Indian advertising world by surprise. Discuss the role of ‘Dadima’ in the success of Ayurvedic Concepts.

2. Ayurvedic Concepts was acclaimed as one of the significant marketing successes in the Indian consumer market. In view of the above statement, discuss the rationale behind the company’s decision to bring all its brands under the umbrella brand ‘Himalaya’. Do you agree with the company’s decision? Justify.

Caselet 23

Voltas Limited a leading engineering company belonging to the Tata group, commanded a market share of over 40% of the domestic A/C segment in 1987. In 1999, its total market share dropped to 6%. This prompted the company management to focus on restructuring its operations so as to regain its lost market share. Through its restructuring efforts, the company wanted to position Voltas as one of the top three A/C brands in the market.

The company decided to perform a root-cause analysis to determine what went wrong. The A/C market can be divided into three categories— domestic A/C's, commercial A/C's and central heating/ventilating (CHV). The growth in the commercial and CHV segment is flat for the past five years growing at 5% every year. However, the domestic A/C segment shows a rapid growth rate of 15-18 percent. The increase in growth rate in the domestic A/C segment can be attributed to the relaxation in excise duty (falling from 110% to 24%) and to the entry of MNC's and subsequent decrease in prices due to the competition.

However, Voltas had been concentrating on the commercial segment and had not paid much attention to the domestic A/C segment. This resulted in the MNC's eating away its domestic A/C market share. Another important reason for the decline in the market share as identified by the management was the image of the company in the minds of the consumer. K.J. Jawa, Vice President, sales and service Voltas limited pointed out, "Voltas was increasingly being looked upon as being an engineering company, rather than a consumer durables company." The promotion strategy was also not in tune with the changing times. The products were promoted on the attributes of reliability and tradition which did not make any impact in the minds of the consumers. They regarded the brand as a "tired brand" which had lost its relevance in the present day environment.

Based on the above analysis, the company chalked out its restructuring plan. To begin with, it felt that it required a strategic partner who could strengthen its operations. Thus, Voltas partnered with the US based air treatment company, Fedders. Fedders invested 20 crores in the company for a 50% equity stake in the company which was beneficial for Voltas in terms of technology, knowledge and capital that Fedders brings in. The company also focused on revamping its HR strategy by recruiting the right professionals, so as to improve its productivity. The company had recruited people from various consumer electronics companies like LG, Carrier, and Samsung so that it could benefit from their experience gained in a similar environment.

The company realized that its marketing, distribution, and customer service strategies had to be revamped completely. Jawa commented on this issue, "There was nothing inherently wrong with our products since we had the best technology all through, and now with the Fedders' tie-up things could only get better. What was needed is a better marketing and distribution strategy."

Previously, the company sold its products from 400 distribution centers which were spread across the country. But consumers preferred buying the product from nearby consumer electronics stores. Thus, the company had made the products available through 700 retailers. It also restructured the distribution network by increasing the distribution centers to 450 and removing 60 distributors who were not performing well.

Next the company focused on improving its customer service. The company had installed an ERP package that helped in monitoring the dealer network. It enabled the company to establish a direct link between the dealer and the company. Voltas also opened call centers in its 16 branches across the country. These call centers could help the company improve its customer service. The call centers were also integrated with the dealer network for better monitoring. The company has initiated a customer service policy, which stated that each call had to be attended within three rings or 11 seconds whichever was earlier.

Next Voltas created a new promotional strategy. The company targeted three consumer segments — the young generation, the traditional family and the consumer who gave importance to timely and effective service. Euro-RSCG created new television ads for the company, targeting the above customer segments which were aired towards the end of 2001. These ads were created differently from the ads that were being aired by the competitors. The ads were made humorous to draw consumer attention towards the brand. The promotion was quite aggressive to make Voltas the preferred brand among consumers. Voltas continues its aggressive promotional strategy till date. An estimated Rs. 18 crore has been earmarked for promotion for 2003-04.

Due to the above measures, Voltas could improve its market share to 11% and its market position from fifth to second within short span of time. Owing to its innovative promotional strategies Voltas was voted the 10th "most remembered" brand in the Businessworld 2003 rankings.

Questions for Discussion:

1. Identify various developments that prompted Voltas to redefine its orientation towards the market place?
2. Critically examine how Voltas has successfully put the marketing concept into practice.

Caselet 24

Major American airlines have experienced sluggish growth since the late 1990s. The depression in the American economy and the 9/11 attack on World Trade Center were responsible for the decline in demand for air travel. The major demand for air travel was from business travelers and leisure travelers.

In recession time the demand from the business segment plummeted due to the slump in their businesses. Companies either negotiated with the airlines for lower prices or advised their executives to use cheaper modes of travel like the railways. As a result the profits of major airlines dipped.

At the same time a majority of leisure travelers started looking out for discounts and low price air travel options. This made air ticket prices fall as airlines tried to attract customers through price cuts. The 9/11 attacks further aggravated the situation. The demand from the leisure travel segment which had kept the airline industry afloat before 9/11 started declining due to fear and security reasons.

Low-cost airlines have taken advantage of this situation and increased their activities. These airlines were launched when the airfares became expensive and the coverage of major airlines was restricted to big cities. Sensing the huge potential in smaller towns/cities, discount airlines such as Southwest and Jet Blue have launched low-cost air services and operated in smaller cities. Business travelers have shifted to low-cost airlines. In the USA, discount airlines such as Jet Blue and Spirit; have shown impressive growth rates for the past few years (1995-2003). Analysts claim that the share of discount airlines, which was 10% in 1995, has increased to 20% by the year 2003.

With the economy showing signs of recovery, mainstream airlines such as US Airways and Delta airlines are now focusing on regaining the lost market share by taking on the discount airlines. A report released recently by the US government says that the second quarter of 2003 has shown a GDP growth rate of 2.4%. The unemployment rate also reduced to 6.2% in July 2003. As a result of the corporate investment scenario picking up the demand for air tickets has also stared increasing.

In order to survive the depressed market, many mainstream airlines undertook cost cutting measures to improve productivity. They cut back their seat capacity by as much as 20% to match the declining demand. The workforce was also reduced. Older and less fuel-efficient aircrafts were disposed off. They adopted electronic ticketing to reduce transaction costs. Such efforts kept the airline companies in a comfortable position. With such productivity improvements, these companies now have the financial strength to take on the competition coming from the discount players. Gerard J Arpey, the CEO of American Airlines, announced "We're not running from these carriers anymore." American Airlines plans to launch its low-cost service called "Derby" to counter the surge of low cost operators like JetBlue. It also took measures to capture the leisure traveler segment by increasing its presence in the Dallas and Chicago hubs.

Delta Airlines has reduced its fares on the Atlanta-Long Beach (California) route and increased its capacity to Los Angeles airport to take on the JetBlue service launched in this route. This resulted in JetBlue closing this service. Speaking on this issue JetBlue's Vice President Planning, David F. Ulmer said "It was definitely a violent decision (of Delta Airlines). We decided to use our resources best elsewhere." Delta Airlines also plans to strengthen its 36-plane low-cost service "Song" by expanding the fleet. The company is keeping the fares of "Song" low with most of the one-way fares below $ 299. It is mainly targeting price-sensitive leisure travelers and operating in areas between the Northeast and points in the Southeast and the West.

Another major airline, United Airlines, is betting on its low cost airline service "Ted". Company officials said the service will be launched in February 2004 and operate in leisure markets like Reno, Las Vegas, and Tampa.

The low cost operators have started feeling the heat. The share price of JetBlue, one of the bigger players in the low-cost segment, fell by 22% since October 2003 due to doubts about the sustainability of the company's business model. Analysts point out that discount airline operators such as Frontier and Spirit who have higher cost structures and low franchising arrangements will be the most effected. Jamie Baker, a leading financial analyst with J P Morgan Chase has estimated that JetBlue's fourth quarter earnings per share will be down by 11% and AirTran's (another major player in discount airline segment) by 26%.

Analysts are, however, of the view that low-cost airlines will survive despite competition from major airlines. They point out that these airlines still have a huge cost advantage over the major players and customers have shown steady preference for these airlines. Southwest Airlines plans to launch services to Philadelphia, a stronghold of US airways, in May 2004 and AirTran Airways is increasing its presence in San Francisco, Las Vegas and Denver.

Also, analysts also claim that major airlines are yet to recover financially. They are still reeling under huge debt and pension obligations thus restricting their competitive ability. Delta is estimated to show a loss of $ 415 million for the fourth quarter of 2003.

Questions for Discussion:

1. What are the factors that are making major airlines to fight back the low-cost airlines?
2. What competitive strategies are being adopted by major airlines against the low-cost airlines? What are the merits and demerits of each of these strategies?

Caselet 25

In July 2001, along with renowned jam brands such as Kissan and Sil, a new brand was prominently being displayed on the shelves of India's leading food retailer, FoodWorld (FW), owned by the R P Goenka (RPG) group of companies. The jam was sold under the brand name ‘FoodWorld’ and was priced much lower than the other brands. Within a month of their launch, FoodWorld jams accounted for 17% of FW’s sales in that category.

This development marked one of the first major instances of the conflict between ‘private store brands’ and ‘FMCG company brands’ in India. While the phenomenon is rather common in countries such as the US and the UK, FW became the first retailing chain to challenge the might of leading FMCG companies in the country.

FoodWorld is a leading food retailer with operations spread across four states, namely, Karnataka, Tamilnadu, Andhra Pradesh, and Maharashtra. It grossed a turnover of Rs. 2120 million in the fiscal year 2000-2001. The first FoodWorld store opened in Chennai in 1996. By June 1999, FW had 29 stores – 11 in Chennai, 10 in Bangalore and 8 in Hyderabad, which collectively registered a turnover of about Rs 110 million in July 1999.

In August 1999, RPG further strengthened its association with Dairy Farm by entering into a joint venture with it. Dairy farm obtained a 49% stake in FW by investing $ 6 million over an equity base of $ 500 million, while RPG retained the remaining 51%. FW soon emerged as the largest organized, scientific retailing operation in India, providing customers with an unparalleled choice of various product ranges at competitive prices.

By the end of June 2002, FW had established 81 supermarkets in Chennai, Bangalore, Hyderabad and Pune. More than 1,500 employees served over 600,000 customers every month.

Having built up a sizeable brand equity amongst the masses, it seemed to be natural for FW to tap the private brand initiative. Beginning with jam, honey, phenyl and herbal sanitizers, FW soon extended its branding initiatives to other products as well. These products could be placed under three main categories – commodities, processed food items, and non-food items. FW launched (or intended to launch) products like dry groceries, toilet cleaners, beverages, dish washing powders, detergents, powders, ketchups, sauces, tea, coffee, bakery products, breakfast cereals, shampoos and many more items under the FW brand.

FW also launched a sub-brand, ‘Great Taste’ for its own products. This was dropped later and the company decided to use only the FoodWorld brand.

In May 1998, FW decided to introduce a new range of health food and herbal beauty products. However, as by then, customers had started associating the name ‘FoodWorld’ with grocery products, the company decided to sell the new range under the brand name ‘Nature’s Bounty.’ FW’s private brand initiative remained rather limited until 2001, when the portfolio was expanded to include a large number of products under the FoodWorld label. Industry observers considered this the biggest such initiative ever undertaken in India.

FW’s moves prompted analysts to comment that the retail giant’s core competency lay in retailing and that managing and marketing its private brands would prove difficult in the long run. However, the company pointed out that its core competency was in ‘vendor management’ and that it could very well use this leverage to procure quality products at a lower price. Moreover, the company also felt that with the information (regarding consumer behavior, buying patterns, and price points for different products) that it had acquired over the years, it would be able to derive the maximum benefits for its private label.

FW apparently believed that for the consumers, store brands meant products of reasonable quality at lower prices. The private brands were cheaper since the company did not incur many of the channel costs and overheads that other manufacturers incurred. Therefore, these products could be priced far more competitively than those of established brands. The company benefited directly from private brands in terms of higher retail margins. In FW, the price differential between the private label products and competing brands varied between 12 and 15% of the MRP.

Besides offering greater margins, private brands offered FW a stronger clout with the manufacturers and gave it the ability to fill 'value gaps' in terms of consumers' requirements. FoodWorld had identified a number of gaps in various segments of its product portfolio (in terms of price, supply, quality and choice). Price gaps existed where the consumer was ready to buy but found the price to be prohibitive. Supply gaps were created as there was no guarantee of regular supply. Gaps in quality meant that the goods available were not up to the mark, and the choice gap denoted that the customer did not have a wide range of options to choose from.

FW saw a major opportunity to fill these gaps by leveraging on its own brand identity and the image it had built for its stores. This image was essentially built around the factors of hygiene, quality, range and most importantly, trust, among its customers. FW could convey to its customers that it offered 'value for money'. A conscious decision was taken not to brand products where it could not offer any strong perceivable value benefits to its customers and where the price points for the existing products were 'just right.'

Though industry observers predicted problems for its private brand initiatives, FW does not seem to be heading towards any major trouble in the near future. Leading FMCG companies were silent regarding the whole issue and FW was already reporting healthy growth figures. Since the launch of its private label product, the jam and spreads category increased by 21%.

Commenting on the fact that FW did not underestimate the manufacturer's role in the food retailing supply chain, K Radhakrishnan, FW's VP (Merchandising), said, "Considering that organized retailing in our country lags behind comparative development in other related industries, the retailer-manufacturer collaboration in the supply chain partnership cannot be over-emphasized. We believe that the manufacturer's brand equity and the retailer's delivery equity if brought to the table will be a unique combination, which shall deliver unparallel value."

Questions for Discussion:

1. Why do you think FW was trying to increase its focus on private brands instead of focusing on developing its merchandising skills?
2. What problems could the company face as a result of its move to sell private brands alongside national brands?

Caselet 26

In March 2003, *Fortune* magazine ranked Procter & Gamble (P&G), the world's leading fast-moving consumer goods (FMCG) company, as #7 in the list of the 'World's Most Admired Companies.' P&G was one of the very few companies to have figured in this list for 17 consecutive years (1985-2002). P&G was ranked high on the parameter of 'ability to develop superior quality and highly innovative products on a consistent basis.' Analysts attributed this 'ability' to the company's understanding of consumers' needs and preferences that had evolved out of its continuous focus on market research (MR).

With the setting up of its MR department in 1924, P&G became one of the first companies in the world to conduct formal research on consumers' needs and preferences. Over the next eight decades, the company developed several innovative MR techniques. Its researchers were trained to get the information they required from consumers. P&G employed advanced technology to analyze the feedback it obtained and arrive at the right conclusions.

P&G used qualitative research tools, such as focus groups, in-house visits, in-context visits, and in-store interviews, and quantitative research tools like blind tests, concept tests, and so on. The company also hired external agencies to conduct MR. In recent years, P&G used the Internet as a medium for research and, in the process, achieved significant savings on cost and time. Commenting on the benefits of the Internet, Barbara B. Lindsey, director of P&G's consumer research services and new-technologies group, said, "It can save you a whole lot of time and a whole lot of money." It also helped P&G reduce its reliance on external research agencies.

P&G conducted online concept tests to get feedback from consumers. This feedback helped it in introducing new products and launching improved versions of existing products. In 1999, 15 percent of its market surveys in the US were conducted online. The figure increased to 40 percent in 2000 and to 50 percent in 2001.

The online concept tests provided P&G with valuable insights into the consumers' opinion of product attributes such as pricing, packaging, and so on. They also helped in generating product awareness before its launch. For instance, in August 2000, when P&G was contemplating the launch of Crest White Strips, it wanted to check if consumers would accept the product at a retail price of $44, which was considered to be on the higher side for this product category. The company decided to use the Internet for this purpose. An eight-month long promotional campaign was launched in the print and electronic media, in which consumers were encouraged to visit the newly-created website, www.whitestrips.com, where the product was offered. The company also sent e-mails to consumers who might be interested in obtaining latest information on the product. In eight months, an estimated 1,44,000 Crest White Strips were sold. It was found that 20% of the consumers who had sought information on the product also purchased it.

The sales generated online helped P&G convince retailers to stock the product, even though it was considered to be highly priced. Further, the data enabled P&G to analyze purchasing trends, which helped in devising the promotion campaign for the product. In this case, it was noticed that women accounted for 80 percent of the purchases and 50 percent of the women who purchased the product were aged between 35 and 54. Based on these findings, P&G devised advertising campaigns for the product. Another observation was that a significant number of people who purchased the product applied the upper and lower strips simultaneously, although the company's published instructions were to first use the upper strips, and then the lower ones. Accordingly, the company changed the instructions so that consumers could apply the strips in any order. The Crest White Strips was officially launched in May 2001 and turned out to be a successful product.

By 2001, P&G was conducting 50 percent of its concept tests on the Internet. The company employed online MR tools to assist it in conducting research. These tools enabled P&G to develop and maintain consumer panels that comprised of people who registered on the website for surveys. In order to encourage consumers to participate in the online surveys, the company offered gift coupons, free samples of P&G products, and so on. To obtain feedback from the survey participants, P&G posted the try/buy offers on its website. For example, during the launch of Physique hair care products, P&G invited consumers to register on its Physique.com website and sample the new products absolutely free. Within 12 weeks, more than five million consumers visited and registered themselves on the site, tested the product, and gave their feedback. This exercise gave the product a good start when it was launched.

P&G also made an effort to involve customers in the product design. In 2001, it launched the 'feedback adviser program' on the Internet, to collaborate with customers in developing new products. The program allowed customers to try out new products and provide feedback, so that P&G could make further improvements in developing the product and drawing up marketing plans. Consumers were also asked to rank P&G's product brands, and give their opinion/suggestions on the brands. The feedback received from consumers was studied and the relevant information was shared with the top management. Commenting on the usefulness of this program over traditional methods, Kristin Sharp, Brand Manager, P&G said, "P&G's product-feedback adviser program is higher on the evolutionary scale than a focus group. People can rank and submit opinions and suggestions which are automatically sorted, with the most useful information bubbling to the top."

P&G's online MR surveys saved considerable time and costs for the company. Using traditional methods, a consumer survey cost the company around $50,000 and took at least three to four weeks. An online consumer survey could be carried out in ten days for $10,000. Similarly, a traditional product/concept test required around $25,000 and two months for completion. A similar test on the Internet could be completed in a week for $2,500.

Commenting on the benefits of the Internet for P&G's market research initiatives, Alan George Lafley, Chairman and Chief Executive Officer of P&G, said, "A year or two ago, we would do thousands of concept tests and consumer panels worldwide, which would take six to eight weeks. Today we do the majority of our concept tests in 48 to 72 hours online at a fraction of the cost and with equal or higher reliability. That's the kind of power the Internet can bring."

However, notwithstanding the benefits reaped by P&G through shifting its MR activities online, analysts felt that relying on the Internet, in some cases, could lead to the collection of misleading data. They also said that online MR could be conducted only on those consumers who had access to the Internet, placing restrictions on the sample size and characteristics. They felt that this problem would be more prominent in developing countries where Internet penetration was significantly lower than in developed countries.

Questions for Discussion:

1. Outline the market research process for the online concept test conducted for Crest White Strips?
2. From the late 1990s, P&G has been conducting MR online in a big way. Examine the benefits to the company. What, according to you, are the possible limitations of conducting MR online? Explain.

Caselet 27

Gujarat Cooperative Milk Marketing Federation (GCMMF), the largest food products marketing organization in India, achieved sales worth Rs. 27457 million during 2002-03. The company's product range includes milk and milk products, ice creams, chocolates and confectionary, ready-to-serve soups and ready-to-eat products. Competition and changing market conditions have made the company keep a constant look-out for new avenues to retain and increase its market share.

Amul's diversification strategy can be traced back to the mid 1990's. In 1996, B M Vyas, Managing Director, GCMMF, commissioned the Indian Market Research Bureau (IMRB) to conduct a consumer survey to identify the products that consumers wanted from Amul. Based on the findings, Amul entered into the following areas: ice cream, curd, paneer, cheese, and condensed milk.

In 1997, Amul launched ice creams after Hindustan Lever acquired Kwality, Milkfood and Dollops. Positioned as the 'Real Ice-cream,' Amul Ice cream was one of the few milk-based ice creams in the market. With GCMMF gradually expanding its distribution reach, Amul was all set to strengthen its share in the ice cream segment. In August 1999, Amul launched branded yoghurt in India for the first time. Amul test marketed "Masti Dahi" in Ahmedabad first and then introduced it all over the country. "Masti Dahi" was plain yoghurt sold in plastic cups. Each 400 gm cup was priced at Rs 12.

Part B

In January 2000, Amul re-entered the carton milk market with the launch of "Amul Taaza" in Mumbai. Amul Taaza was non-sweetened, plain, low fat milk. The product was positioned as a lifestyle as well as functional product. It was targeted at the upper middle class housewife who could use it for different occasions. Amul was targeting sales of about 0.1 mn litres per day. In November 2000, Amul decided to promote mozzarella cheese, used in pizzas. The growing demand for mozzarella cheese from pizza making companies like Pizza Hut and Domino's Pizza was expected to give Amul's cheese sale an additional push.

In 2001, GCMMF planned to leverage itself through its brand equity and distribution network to turn Amul into India's biggest food brand. Verghese Kurien, Chairman of GCMMF, set a sales target of Rs.10 bn by 2006 as against sales of Rs 2.3 bn in 2001. To achieve this, Amul decided to enter the ready-to-eat segment, which is growing at a healthy rate, with vegetable pizzas, stuffed parathas, cheeseburgers, cheese and paneer pakodas, and cheese sandwiches. It was decided to market the products under the SnowCap brand. The SnowCap brand would also include tomato sauce and ketchup. Vegetable pizzas were launched first under the brand name SnowCap in Ahmedabad. GCMMF also planned to launch its pizzas in other western Indian cities like Mumbai, Surat, and Vadodara. GCMMF decided that depending on the response in these cities, it would introduce its pizzas in other cities in India. The pizzas were offered in four flavors: plain tomato-onion-capsicum, fruit pizza (pineapple-topped), mushroom and 'Jain pizzas' (pizzas without onion or garlic).

GCMMF launched the pizzas in the Rs.20-25 price range. The existing players in the pizza market, like Domino's, Pizza Hut and Nirula's offered pizzas at nothing less than Rs. 39. Analysts felt that GCMMF's move would force them to reduce their prices in the long run.

GCMMF planned to open 3,000 pizza retail franchise outlets all over the country by 2005. The pizzas would be made at the retail outlets. The technical training and recipe for the pizza would be provided by GCMMF. It would also negotiate with bulk suppliers to get vegetables at wholesale rates. These would be then provided to the retailers. GCMMF would offer the main cost component of pizza, mozzarella cheese, at a bulk rate of Rs.140 per kg, compared to the market price of Rs 146 per kg. GCMMF, on its part, would have a ready market for its cheese products.

Analysts felt that the supply of cheese products by GCMMF at a cheaper price would enable retailers to price pizzas lower than that of the competitors. R S Khanna, General Manager-North zone, said GCMMF intended to do to pizza what it had already done to ice cream. He said, "We want pizzas to become a mass consumption item. And as in the case of ice cream, we will force pizza manufacturers to slash prices. Eventually, this will expand the market for cheese."

Amul also began restructuring its chocolates business. It decided to relaunch seven of its brands that were earlier withdrawn from the market. Amul tied up with Campco, the cocoa and areca nuts farmers' cooperative in Karnataka and Kerala, for the supply of cocoa beans. Amul marketed Milklairs, manufactured by Campco. This tie-up was expected to help Amul in the expansion of its chocolate business.

Questions for Discussion:

1. Why do you think Amul was diversifying into pizzas, cheeseburgers, tomato sauce, ketchup, and other eatables?
2. Why do you think GCMMF used the brand name SnowCap for its pizzas and not Amul?

3. What kind of pricing strategy has Amul adopted to sell pizzas under the brand name of Snowcap? Is it the right approach?

Caselet 28

Henkel Spic India Ltd is a Chennai based leading FMCG company. The company is a joint venture between Tamilnadu based Petro Products Ltd and German based Henkel KgaA. The company is mainly into soaps and detergent, its products Henko, Fa, Mr. White and Pril are popular brands. For the year 2002, it recorded a turnover of Rs 345 crores. The company is now in a product and brand-restructuring mode.

Henkel Spic has decided to concentrate on following brands - Henko, a premium detergent powder competing with Ariel and Surf Ultra; Mr. White a detergent powder in the economy range; Pril a premium dish wash liquid cleaner; and, the Margo, and Fa brands in the cosmetic product range. The company aims to be among the top three in each of these segments.

As a part of its restructuring efforts the company launched a bar variant of its popular liquid dish wash Pril. Initially, the company plans to launch the bar in Chennai, Mumbai and Delhi before it goes for a nationwide launch. Analysts point out that the powder category is stagnating and the liquid cleaner segment is limited to higher end consumers and may take time to penetrate the market.

Speaking of the need to launch a dish wash soap bar, Satish Kumar, the MD of Henkel Spic India, said that the bar category is now the growth area in the dish wash product segment. Currently dish wash bar consumption is pegged at 120,000 tonnes in the urban markets and 150,000 tonnes in the rural market. There are only a few players like Vim and Nirma in this product segment. Henkel has set a sales target of 12,000 tonnes or 10% of the overall urban market for the coming year and a half. As Western region (of India) being the major user of dish wash bars, Henkel Spic plans to enter this market first. The company is positioning the product on the platform of a unique cleaning formula enhanced with vinegar grease remover. The product is priced at Rs 14 for a 400-gram bar available in two variants - lime and orange. A leading chef, Sanjeev Kapoor, has been signed on to promote this product.

Fa is another key product in the company's product mix. Fa enjoys a good brand image due to its global presence and its presence in the Indian gray market. While the deodorant has clicked well in the market, Fa soap and talcum powder have not performed well in the market. The company plans to re-launch the brand by changing product formula, packaging, and communication. The company wants to make the brand available across the country. It wants to launch Fa soap in the southern and eastern markets. However, analysts point out that the southern market is difficult to enter as consumers show high brand preference and are more inclined towards herbal soaps. Another key product, which the company acquired from the Shaw Wallace group, is Margo, an 80 crore brand. This brand is popular as a soap with neem properties. The company now wants to extend this brand and is launching a new range of skincare products under the Margo brand. These include talcum powder, cold cream and body lotion.

Henkel Spic also wants to restage its popular detergent brands Henko and Mr. White next year.

Apart from these consumer brands, the company also markets hair care products through the institutional route under the brand name Schwarzkopf. These products are now available in 500 salons located in Delhi, Mumbai, Bangalore, Chennai, and Hyderabad. The competition for these products comes from L'Oreal, and Wella.

Questions for Discussion:

1. Analyze the product decisions taken by Henkel?
2. Comment on the company's decision to launch the bar variant of its highly popular Pril liquid dish cleaner?

Caselet 29

Starbucks is one of the leading international food retailing chains with $4.1 billion revenues for the fiscal year 2002-2003. It has 7,225 outlets the world over. With saturation in the North American markets, Starbucks started expanding internationally. It decided to enter the Asia Pacific rim markets first. Growing consumerism in the Asia Pacific countries and eagerness among the younger generation to imitate western lifestyles made these countries attractive markets for Starbucks.

Starbucks decided to enter the international markets using a three - pronged strategy – joint ventures, licensing and wholly owned subsidiaries. Prior to entering a foreign market, Starbucks focused on studying the market conditions for its products in the country. It then decided on the local partner for its business. Initially, Starbucks test marketed with a few stores that were opened in trendy places and the company's experienced managers from Seattle handled the operations.

After successful test marketing, local baristas (brew masters) were given training for 13 weeks in Seattle. Starbucks did not compromise on its basic principles. It ensured similar coffee beverage line-ups and '*No Smoking'* rules in all its stores across the globe.

Starbucks operates in Canada through wholly-owned subsidiary, Starbucks Coffee Canada. When Starbucks entered into a joint venture with Sazaby Inc., to open Starbucks stores in Japan, analysts felt that it was unlikely to succeed. They even advised Starbucks to forego its principles such as *No Smoking,* and to ensure that the size of the stores would not be more than 500 sq ft due to the high rents in Japan. However, Starbucks stuck to its *No Smoking* principle, which attracted young Japanese women to its stores. The size of the stores was 1200-1500 sq ft – similar to the stores in the US. Starbucks' success proved analysts wrong, and in the first year itself, it opened more than 100 stores.

According to Starbucks sources, listening to its local partner also helped. Starbucks took advantage of the knowledge of its local partner Sazaby about Japanese coffee drinking habits and introduced new products such as Green Tea Frappucino, which became popular.

Starbucks was successful in attracting a young crowd in all its Asian markets, as young people in these markets were eager to imitate the American culture. It even adapted itself to the local culture to gain market acceptance. For instance Starbucks offered curry puffs and meat buns in Asian markets as Asians generally prefer to eat something while having coffee.

Analysts felt that the strong coffee drinking culture in Europe posed both challenges and opportunities for Starbucks. It would face tough competition from the sidewalk cafes of France, coffeehouses of Vienna, and espresso bars of Italy, that had developed a strong coffee drinking culture across the continent, exposing Europeans to the best coffee in the world. However, Starbucks executives commented that Europe used to make great coffees but by the late 1990s, the taste had gone awry. In 1998, Starbucks opened its first store in England, and soon expanded its presence to Switzerland, Germany and Greece.

It was generally felt that though old people would stick to the existing coffee houses, the young would be attracted to Starbucks. Said Helmut Spudich, editor, Der Standard (a Vienna based paper), "The coffeehouses in Vienna are nice, but they are old. Starbucks is considered hip." Another important factor that could lead to the success of Starbucks in Europe was its ambience and *No Smoking* environment, unlike traditional European coffee bars. The self-service mode of operation also attracted the young crowd as it was observed that youngsters did not like to wait for the waiter to come and take orders. According to Starbucks sources, it was successful because it was not just selling coffee but an experience, which was unique only to Starbucks stores. Maslen, President, Starbucks International, said, "The coffee is good but it's just the vehicle. The romance of coffee, the occasion, the community, is what Starbucks is selling." In the Middle East, Starbucks went in for licensing (except in Israel where it had a joint venture). Respecting the culture in the Middle East, Starbucks stores offered a segregated section for women.

In September 2002, Starbucks announced that it would increase the number of international stores to 10,000 by 2005.

Questions for Discussion:

1. What made Starbucks enter the international market?
2. What strategy is adopted by Starbucks for international expansion?
3. What are the various risks that a company faces while entering the international market? What are the risks and difficulties that a food service company like Starbucks may face?

Caselet 30

McDonald's is the largest food service organization in the world with 30,000 restaurants located in 120 countries and visited by nearly 46 million customers every day. The company employs 4,13,000 people in its restaurants. It has been able to maintain similar service standards in all its restaurants spread across the world. Analysts claim that emphasis on employee training by the company is partly responsible for such high customer service standards being maintained in all its restaurants. The core principles of McDonald's Quality, Service, Cleanliness, and Value (Q.V.C&V) guide its training programs. The company's highly structured training programs are conducted at four levels- crew development program, restaurant management program, mid-management program and executive development program.

Entry-level workers are trained under the basic crew development program. The training is conducted at each restaurant. Crew members are given on-the-job and off-the-job training. They are given an hour's orientation about the company and its operations. Each restaurant is equipped with a video player and a training room. Step-by-step manuals and videotapes on various operations that the personnel need to undertake are provided to the crew members. Then they are provided on-the-job training. Each activity is considered as workstation – the payment counter, the grill area etc. The crew members work under the supervision of crew trainers at each of these workstations. Their performance at each workstation is evaluated. There are 25 workstations in a restaurant at which the crew members have to gain experience. The company follows a 3/30 days rule wherein the crew member has to gain expertise in 3 workstations every month until he becomes adept in all 25 workstations.

The next level of training is the management development program. This training program is devised for the employees in the restaurant management team. These training programs range from the basic level to the advanced level. At the basic level course, the company provides training to the managerial staff in managing the fundamental operations of a restaurant. Managers are trained in aspects like recruiting and scheduling staff, equipment management etc. at the higher-level training. The company also trains them in leadership skills, decision-making skills, and managing change. Thus, the managers after this program are fully aware about the complexities of the restaurant environment and to how to deal with it.

Apart from the training programs at each region or locality, the company also has a centralized training entity called Hamburger University, situated in Oak Brook, Illinois, USA. Here the company trains employees who come from various parts of the world. Founded in 1961, the university has faculty strength of 30 full time professors. The University is equipped with 17 teaching rooms, a 300-seat auditorium, and four special team rooms for interactive education. The University trains more than 5,800 students every year. 73,000 students have passed out from Hamburger University since its inception. McDonalds also has the rare distinction of being America's largest training organization surpassing even the US Army.

In order to undergo training at Hamburger University, an employee should have undergone 2000 hours of training and be at the level of an Assistant Manager. The Advanced Operations Course (AOC) teaches various management subjects such as accounting, inventory control, and equipment management. Eight other courses are offered at the University for Various Levels of employees: Area Supervisor's Development Program, Field Consultant's Class, Operations Manager Class, Training Consultant's Class, and Presentation Skills.

Franchise owners also have to undergo a full time nine-month training before managing their restaurants. This training includes activities ranging from basic operations to the complete management of the restaurant such as recruiting, accounting and administration.

Questions for Discussion:

1. How can employee training help a fast food service giant like McDonald’s?
2. McDonald’s provides in-house training to its employees through various initiatives such as on-the-job training, conducting training programs at restaurants, regional centers and starting a university to train its employees. What are the pros and cons of in-house training?

Caselet 31

Rooh Afza, a popular sherbet brand of Hamdard laboratories, which once commanded a high market share, is loosing out in the Rs 200 crore soft drink preparatory market. Analysts claim that increased competition and decreased customer acceptance are the key factors responsible for the declining sales.

The soft drink preparatory segment itself is shrinking with increased competition from aerated drinks and fruit based beverage products. Within the segment, Rasna has increased its promotional activities with a new branding and positioning strategy. Coca-Cola has entered this segment with its brand Sunfill. Haldiram is in direct competition with Rooafza with its launch of a new range of sherbets.

Declining interest of the customers in the product is another key factor that is affecting the sales of Rooh Afza. The product is now restricted to the older customer segment. The homemakers who patronized the drink before are now less interested in the product due to the increased choice in the market. The product has lesser acceptance among the growing youth market as well.

Hamdard plans to take corrective measures to stem the decline in sales. It now wants to target the youth segment i.e., customers who belong to 13-35 year age group, which is the key growth segment for the soft drink products. Analysts have pointed out that the image of the product has been the limiting factor for the youth segment to accept the product. The company decided to position the product on the fitness and health platform. This gives the product a trendy and appealing image.

Until now Rooh Afza market has been restricted only to North India which contributes nearly 85% of its sales. The company feels that Rooh Afza may find acceptance in the west and south markets. Speaking about the prospects of Rooh Afza in other markets, Arif Hussain, marketing manager, Hamdard (Waqf) Laboratories said, “We stand a good chance in the south where people are aware of rose syrup and consume good amounts of it”. To promote the product, the company released print ads in regional languages of Tamil, Kannada, and Bengali.

The company also wants to increase sales through impulse buying, as young consumers show high impulse buying behavior. It has decided to launch the drinks in various formats such as tetra packs and pre-mixed dispensers. Hamdard plans to continue with same packaging. Speaking in support of the decision Hussain said, “The bottle has a strong association with the values that Rooh Afza stands for and we wouldn’t want to change that.”

However, analysts point out that these efforts are not enough to make the brand stand out in the highly competitive soft drink market. They say the company has done little to increase the usage of the product, unlike Nestle, which has been successful in increasing the usage of Milkmaid. Hamdard did try to create various consumption avenues for the product in 1996 by showing various recipes in which Rooh Afza can be used. However, the company did not pursue that effectively.

Analysts also complain that the company spends very little on promotions, which are necessary for a FMCG product like Rooh Afza. Hussain justifies the spending by recalling the fact that Hamdard being a charitable trust (a large portion of its profits are used to support various charitable organizations) cannot afford such high spending.

Questions for Discussion:

1. What are the factors that are responsible for the decline in the sales of Rooh Afza?
2. “The bottle has a strong association with the values that Rooh Afza stands for and we wouldn’t want to change that.” Do you support the company's decision to keep the packaging unchanged?

Caselet 32

Mahindra & Mahindra Ltd. (M&M) is the flagship company of the Mahindra Group, a diversified business group with interests in key sectors of the Indian economy. The business of M&M is divided into two major operating divisions – Farm Equipment and Automotives. The Farm Equipment Division makes tractors and other farm implements, while the automotive division is focused on the utility vehicle (UV) market.

Till the 1990’s, the company was the market leader with a market share of 50% in the UV segment as there was little competition. But by the late 1990’s, competition in this segment increased with the entry of big players like Telco and Toyota. This propelled the company to develop a UV that would meet international standards in design and technology. The drive to create a world-class vehicle resulted in the launch of ‘Project Scorpio’ in 1996. ‘Project Scorpio’ was aimed at developing a vehicle that would offer the comfort of a normal car but would be tough enough to be used on all kinds of terrain. ‘Project Scorpio’ lasted six years. During this period, M&M undertook extensive market surveys to understand the changing customer needs and expectations. Accordingly, it made constant value additions and modifications to the SUV’s design. By June 2002, Scorpio was ready for launch. The 100% indigenous vehicle had been thoroughly tested for road-worthiness for a period of 24 months; road-worthiness tests for the vehicle covered a distance of over 1 million kilometers. In late June 2002, Scorpio was launched in all the major Indian cities.

Scorpio was available in five colors – red, blue, silver, black and green. The SUV was made available in both petrol and diesel versions. The petrol version featured an electronic fuel management system that offered a torque of 18.7 kgm at 3800 rpm, with an output of 116 bhp at 5500 rpm, and allowed the vehicle to accelerate from 0 to 60 kmph in eight seconds. The vehicle could seat 7 or 8 persons comfortably. The diesel version offered a torque of 26 kgm at 1800 rpm with an output of 109 bhp at 3800 rpm. It could comfortably accommodate 7 to 9 people.

Scorpio inherited the ruggedness and durability of M&M's vehicles along with their typical 'jeep' look. Reportedly, no other vehicle in India combined the comforts of a car with the thrill of an SUV. Scorpio's tough looks and spacious seating made it an ideal choice for long journeys on normal roads and across hilly terrain.

M&M has adopted a varied marketing strategy in marketing Scorpio. Scorpio was positioned as a UV with great power and style that offered "the ultimate driving experience, driving thrill, luxury and comforts of a passenger car along with value for money." It targeted individual car buyers in the top-end of the small car and mid-size car segments, who already owned cars and were ready to invest in another vehicle. M&M consciously sought to cash in on the concept of a modern passenger car that was rugged as well. It highlighted Scorpio's rugged looks and its ability to travel on city roads and rough terrains, while offering all the comforts of a passenger car. M&M spent nearly Rs 200 million on a multi-media advertising campaign (print, electronic and outdoor) to promote Scorpio across the country. Interface Communications, an advertising agency in India (which was already handling the M&M's Bolero advertising account), handled the Scorpio account. Interface Communications created the tagline 'Nothing else will do' to highlight Scorpio's superior style and performance.

In July 2002, Interface Communications launched a series of print campaigns for the Scorpio. Each campaign highlighted a specific advantage or feature and carried a different tagline. Some of these taglines were: 'So plush, so comfortable, so depressing for other cars,' 'A car you can walk into. Not crawl into,' 'The car you can look up to. Not look down upon,' 'The car that's known by the cars it leaves behind,' 'One car. One year. One too many if you were to ask any other car,' and 'Cars will now suffer from low self esteem.'

The print campaigns were followed by television campaigns in August 2002. These advertised Scorpio as a car with rugged looks, as well as the space and comfort of a modern passenger car. Commenting on the advertising strategy, Nitin Bhagwat, Executive Director, Interface Communications, said, "Some part of the PR exercise established that this is a totally Indian product that was developed indigenously, while the advertising projected the international image, and the idea that it can be seen in the best addresses and locations."

Apart from print and television, M&M advertised through non-traditional media and outdoor promotions. The company launched a dedicated website, www.mahindrascorpio.com, which offered extensive information on the brand (color choices, model details and dealer information). It also provided online brochures of Scorpio models and answered queries. M&M also set up a customer service center, called Scorpioline, with a toll free number (1600-11-6006), to answer customer queries.

M&M decided to price Scorpio aggressively – prices were deliberately kept lower (by around Rs 52,000-Rs 70,000) than that of the competition (Toyota Qualis and Tata Safari). Scorpio was priced between Rs 550,000-Rs 720,000 [Turbo 2.6 and Turbo 2.6 DX were priced at Rs 582,000 and Rs 635,000 respectively, while Rev 116 was priced at Rs 719,000 (Delhi prices)]. This was lower than the Toyota Qualis variants which were priced between Rs 560,000 and Rs 850,000, and the Tata Safari variants which were priced between Rs 760,000 and Rs 850,000. The strategy succeeded and Scorpio rapidly made inroads into the market shares of Tata Safari and Toyota Qualis. Analysts attributed M&M's ability to price Scorpio economically to its effective purchasing and manufacturing practices. M&M sources too agreed that the 'designed to cost' strategy adopted while developing the Scorpio helped the company transfer the benefits of cost savings to customers in the form of lower prices. Though some analysts felt that the Scorpio might cannibalize the sales of Bolero (since it also targeted the urban UV market) because of its aggressive pricing, M&M did not agree. The company claimed that since the Scorpio was priced around Rs 70,000-Rs 80,000 less than the Bolero, the two vehicles targeted two different price segments.

In Mumbai, M&M also used 'reality radio advertising' to promote the Scorpio. A fleet of motorcycles accompanied a Scorpio on a 'Road Show,' which was covered live on a FM radio channel, Go 92.5 FM. Anaida, a popular Indian pop singer and radio jockey, anchored the program, seated in this Scorpio which moved from one end of Mumbai to the other. The 'Road Show' was quite successful, brining over 900 customers to Scorpio showrooms in Mumbai within a few days of the event.

M&M also conducted various events to promote Scorpio. It organized a contest called 'Build a Scorpio,' which required participants to design a new Scorpio (i.e. the way they wanted Scorpio to look after two decades). The best designs were supposed to be considered by the company for implementation in Scorpio's future versions. Apart from this, M&M also sponsored the Brand Equity Quiz 2003, in which the winning team was presented Scorpios.

In early 2003, M&M announced an event called 'One lap of India, one lap for safety' to promote the "safe driving" cause. Held from 31st January 2003 to 28th February 2003, the rally saw 17 automobile journalists traveling across all states in India in Scorpios in just 29 days (a distance of 14,930 km). Though the rally was aimed at promoting the cause of safe driving, the underlying idea was to further strengthen Scorpio's strong and tough image.

'The Great Escape' event, which M&M held every year, increased customer confidence in the Scorpio. This was an adventure rally which required the participants to travel through different landscapes (rocky areas, deserts, forest and rivers). The aim of the rally (open only to those riding M&M vehicles) was to test the sturdiness and efficiency of the vehicle in tough off-road conditions, and at the same time to let motoring enthusiasts experience an adventure, away from city life. Many of the Scorpio owners who took part in this event were highly impressed by the performance of their vehicles.

With these efforts the initial response was overwhelming. Scorpio booked 1,000 orders within the first eight days of the launch. In the year 2002, company sold 15,000 units. With demand for the vehicle growing steadily, M&M had to increase its production from 1,800 units per month in 2002 to 2,000 per month in June 2003, and to 2,500 per month by late 2003.

Since its launch, Scorpio has won many prestigious awards, such as 'Car of the Year 2003' from Business Standard Motoring, BBC World Wheels and CNBC Autocar. Besides improving M&M's image as an automobile company, Scorpio was reported to have played a major part in increasing the company's revenues for the financial year 2002-03. The company's automotive segment witnessed a 37% increase in revenues, up from Rs 18.28 billion in 2001-2002 to Rs 25.11 billion in 2002-2003. Also, M&M's automobile sales increased by 16% in 2002-2003 (68,852 units) over the previous year's sales (55,920 units).

Questions for Discussion:

1. What kind of promotional strategy did M&M adopt in marketing Scorpio?
2. Analyze the pricing strategy M&M adopted to launch Scorpio.

Caselet 33

Eureka Forbes followed the globally 'tried and tested' direct selling route for marketing its products in India, thus becoming one of the first direct selling companies in India. Vacuum cleaners and water purifiers were rather new concepts for Indian consumers, who had till then followed only the traditional methods of cleaning and filtering. Therefore, Eureka Forbes had to first establish the concept of vacuum cleaners and water purifiers in India before it could sell 'Eureka' as a brand.

The company believed that its core strength was its people. It employed dynamic, highly motivated individuals, called 'Eurochamps,' who projected the image of 'The friendly man from Eureka Forbes.' Thus, for the average Indian consumer, Eureka Forbes became synonymous with the smartly dressed salesman who came to their houses and cleaned up things in a jiffy or showed how air/water purifiers were indispensable. Eurochamps initially targeted the metros but soon began visiting smaller cities and towns also.

Though the company posted profits initially, it suffered a setback in 1992-93, when profits declined by 50% in comparison to the previous year. The following year, the company even had to post its first-ever loss of Rs 42.5 million. However, gradually the company's products gained acceptance in Indian markets and company sales picked up. The company began advertising across various media primarily to familiarize its target segment, housewives, with its products and introduce it to its sales force. These advertisements showed helpful salespersons who solved the problems of housewives. Television commercials typically featured models who appeared 'friendly' and trustworthy. The company also used actors from popular Hindi TV serials, such as Nitish Bhardwaj and Amar Upadhyay, to enhance the friendly and trustworthy image of its salespersons.

The company's direct marketing thrust did not end with the conversion of orders into sales. Eureka Forbes started a customer care network that took care of after sales services offered by the company. The company's customer service network comprised over 400 CRC (Customer Response Centers), covering over 98 towns with more than 4000 sales personnel working under it. These centers offered a plethora of options to its customers in order to enhance their satisfaction with their purchases.

The company believed that 'A relationship does not end with a sale. It actually begins.' Eureka Forbes gave a lot of importance to Customer Relationship Management (CRM) and tried to maintain high level of post-sale customer contact. As after-sales service formed a crucial element of its marketing mix, the company set up a 24 hour-365 day virtual call center. The call center's software built into it tracked a complaint back to the nearest sales office or franchisee on the basis of the complainant's telephone number or PIN code. Updates were arranged at an interval of every 30 minutes. Over the years, the number of call centers was increased to six.

As a result of its focused approach and innovative products, the company was able to record an operating income of Rs 1.59 billion and a net profit of Rs 56 million in 1995-96. In 1997-98, these figures reached Rs 2.29 billion and Rs 104 million respectively. However, Eureka Forbes was not satisfied with the growth of the vacuum cleaner market. Though many Indian households bought vacuum cleaners, the product's usage was very limited. This was because many housewives found the product bulky and cumbersome to use in comparison to the broom and cloth duster that were traditionally used. Moreover, since domestic help was easily available, the need for vacuum cleaners was not felt. Thus, not only was the penetration limited, product upgrades were also low due to the infrequent usage.

To rejuvenate the vacuum cleaner market, Eureka Forbes changed its advertising strategy in November 1999. Instead of focusing on the 'friendly salesman' theme, the company released an advertisement campaign featuring a maidservant using the vacuum cleaner. This shift was made after examining certain facts about end users and vacuum cleaners usage patterns in the Indian market. Marzin Shroff, Vice-President of Eureka Forbes' advertising agency, Triton Communications, said, "Market studies and research carried out by us in the past few years indicated that owners of vacuum cleaners use the product very sparingly. A majority of the Indian consumers allow their servants to operate their washing machines but not the vacuum cleaner, hence the frequency of product usage is reduced considerably."

The company also launched a consumer training drive to support the new campaign. Sales personnel trained domestic help regarding product usage and upkeep. Palekar said, "Our direct sales team keeps contact with the consumers on an on-going basis. We intend to use this as an occasion to demonstrate the product to the household help." The new campaign aimed at establishing the fact that vacuum cleaners were easy to use and that even maidservants could be trusted with the product. The company also publicized a pager number along with the advertisement so that customers could request product demonstration and training by a sales person. Eureka Forbes expected to register a 20% increase in sales volume from this Rs 15 million ad campaign.

To boost its image of an environment-friendly and hygiene-oriented company, Eureka Forbes established the 'Eureka Forbes Institute of Environment.' This move was aimed at spreading awareness about pollution and its effects, and the importance of protecting the environment. Through the institute, the company undertook various initiatives for environment protection, including daily measurement of air pollution in 8 metropolitan cities. This was done in association with TV media company NDTV, and was aired through a weather bulletin on the satellite TV channel 'Star News.' It was also published on the websites www.ndtv.com, and www.webhealthcare.com. The company held free pollution control camps in 10 metropolitan cities on World Environment Day on June 5, 2000, in association with TV channel National Geographic and the United Nation's body UNICEF. In addition, the company conducted lectures and cleanliness drives in various parts of the country.

As a result of the above initiatives, Eureka Forbes built a customer base of 2.5 million by 1999 and recorded a turnover of Rs 3.08 billion for 1999-2000. Besides the household segment, its client list included leading hotels such as The Taj, The Oberoi, The Hyatt, The Centaur, Four Seasons, Orchid International and Leela Kempenski; and corporates such as Mahindra & Mahindra, TCS, Bajaj Auto, HPCL, Wipro Fluid, Du Pont and Telco.

Questions for Discussion:

1. With changing market conditions, is the direct selling strategy still the right strategy for a consumer electronics manufacturer like Eureka Forbes?
2. Analyze the shift in the company's advertising strategy from focusing on the 'friendly salesman' to the 'maidservant' in 1999.
3. How can Eureka Forbes benefit from associating with various environmental protection activities?

Caselet 34

Over the past few years, the growth in the economy has improved the quality of life of Indian consumers. However, they are also exposed to lifestyle disorders. Doctors point out that lifestyle disorders like hypertension, obesity, acidity and fatigue are due to change in food habits, stress at the workplace, and changes in lifestyle. This has created a niche in the Indian consumer market in the form of nutraceuticals. There is no clear-cut definition for the term, but it is commonly used for any food or dietary supplement that provides a health benefit. It is associated with products that have standardized herbal extracts. The products include isolated nutrients, dietary supplements, herbal products and processed foods such as soups and beverages. Globally the nutraceutical market was valued at US$ 50.6 billion in 2001. A major share of this was taken by the US market which stood at US$ 16.5 billion. In India, the market pegged at Rs. 200 crores, is still evolving. With increasing awareness about health and the risk of lifestyle disorders, consumers are looking at nutraceuticals as effective products.

However, this segment is growing at a slow pace. The market is limited only to higher income group consumers. Many factors are responsible for slow growth. Analysts feel that Indians are more concerned about cures for a disease rather than prevention. Whereas in US where the medical costs are exorbitant consumers view prevention as the right approach. Also, Indian consumers consider these products as medicines rather than supplements for nutritional deficiencies. According to health experts, consumers are of the view that it is not necessary for them to use such products as they are having good food. However, doctors feel that good food may not give the required nutrition and an individual requires nutraceutical products to fill the gap. According to the spokesperson of a Chennai-based nutraceutical company "Indians get extremely apprehensive when they have to consume pills associated with wellness and not illness. The Indian market is more a curative than a preventive market".

Analysts also point out that companies are not doing enough to expand the market. Companies are focusing more on the export market rather than the Indian market. Also, the products are too expensive for an average Indian consumer. Companies attribute high pricing to the costs involved in promoting the product and the low returns received on sales. Rahul Balachandra, the Business Head of Health & Glow says that nutraceuticals contribute only 10% to its overall sales in comparison to nearly 50% in a similar lifestyle store in the USA. The nutraceutical market also lacks variety. Companies are not making products to suit the needs and tastes of Indian consumers. Products like sugar-free chocolates and jams for diabetics and tasty nutritional beverages for kids are not being launched. The nutraceutical market is flooded with unknown brands and products that confuse the customer. Consumers are suspicious of these products and their efficacy. Market insiders claim that the industry is highly fragmented and lacks common standards.

Companies are beginning to focus their efforts on expanding the market. With the entry of big pharma companies, activity in this segment may increase. Companies are trying to launch products specific to Indian conditions. Solae, is a new joint venture between DuPont Protein Technologies and Bunge Ltd which provides value-added nutritional food ingredients used by various food and pharma companies. The company is experimenting with soya-based products. The company has already launched Vita-Soya milk in Chennai, which met with good results. The company is now developing soya papads, soy flour for idlis and rasgoolas.

As Indian customers go by doctors' advice, companies are approaching doctors to promote their products. Sami Formulations is a nutraceutical products company with nine products. The company is focusing on bringing awareness about its products among the doctor community. Talking about the company's strategy, Neeraja Shetty, the CEO said, "Our focus has been on doctors. We are trying to convince them to advise their patients to go in for nutraceutical products. We are also doing e-newsletters and organizing symposia on a regular basis for doctors".

Questions for Discussion:

1. Which market segments should a nutraceuticals company concentrate on and why?
2. Analysts point out that companies are not doing enough to expand the market. What can nutraceutical marketers do to expand the market?
3. How different is healthcare advertising from FMCG advertising?

Caselet 35

Maruti Udyog Limited (MUL), one of the leading passenger car manufacturers in India, was established in Feb 1981 to develop a small car that meets the need for a personal mode of transport.

After thoroughly studying seven major automobile players in the world, the Government of India (GoI) selected the Suzuki Motor Company (now Suzuki Motor Corporation of Japan) as a strategic partner. Apart from being reckoned as the leader in the small car segment, Suzuki's offer to transfer the latest technology and management practices to MUL encouraged GoI to choose Suzuki. In October 1982, the GoI signed a licence and a Joint Venture agreement with Suzuki Motor Company. This gave Suzuki 26% share of MUL's equity.

Maruti started production in a record time of 13 months and rolled out the first car on 14 December 1983. The new car launched by Maruti was a runaway success with Indian customers preferring it to cars produced by Premier Automobiles Ltd (PAL) and Hindustan Motors (HM). Maruti created a revolution in the Indian market by introducing its 800 version that was positioned as a high quality, fuel - efficient, low - cost vehicle.

Maruti added two more products to its line – the Maruti Esteem 1000cc (1991 in Lower C segment) and the Maruti Zen (1993 in B segment). [Exhibit 1 shows the various categories in the Indian passenger car market.]

By March 1994, Maruti became the first Indian company to produce over one million vehicles. The Indian car market which had stagnated at a volume of 30,000 or 40,000 cars a year for the decade ending 1983 had by 1993 reached a volume of 1,96,820. Maruti enjoyed about 80% share of the market. For over a decade after MUL's inception, the government kept the passenger car market closed to new entrants.

After observing the success of Maruti in revitalizing a rather stagnant Indian automobile market and the passenger car segment in particular, global automobile giants started showing an interest in the Indian automobile market. These companies realized the growing might of the Indian middle class and commissioned surveys and studies to estimate the feasibility for their proposed projects and the volumes that they can achieve. Some of these companies began test running imported vehicles in India to evaluate their fit to Indian conditions.

Exhibit 1

Category	Models
Economy Segment (Up to Rs. 2.5 lacs) **(A Segment)**	Maruti Omni, Maruti 800
Premium Economy segment (Rs. 2.75-4.0 lacs) **(B Segment)**	Fiat Uno, Zen, Hyundai Santro, Daewoo Matiz, Tata Indica, Fiat Palio, Suzuki Wagon R.
Lower Mid-Size segment (Rs. 5-7 lacs) **(C Segment)**	Maruti Esteem, Daewoo Cielo, Fiat Siena, Hyundai Accent, Ford Ikon, Opel Corsa
Upper Mid-Size segment(Rs.7-10lakhs)	Suzuki Baleno, Mitsubishi Lancer, Opel Astra, Ford Escort, Honda City
Luxury Segment (Above Rs.10 lacs) **(D segment)**	Skoda Octavia, Honda Accord, Hyundai Sonata, Ford Mondeo, Mercedes C-Class
Premium Luxury Segment (From 30 to 60 Lacs)	Mercedes E & S Classes.

When the auto sector was completely opened up in 1995, MUL was entrenched in the Indian market, harvesting the benefits from economies of scale and scope. MUL had also developed a reliable supplier base to support its future growth. In the small car segment, where MUL had a strong presence, the entry barrier for new entrants was much too high. It was considered impossible for new players to compete with MUL unless they had a thorough understanding of the Indian market and technical competence.

However, two multinationals from South Korea, Daewoo (Matiz) and Hyundai (Santro), gradually got into the small car market. The competition in this segment intensified with the entry of Tata Engineering with its indigenously developed car, Tata Indica. Many other multinationals, however, stuck to the small but potentially more profitable mid-size and luxury cars.

Soon these players started eating into MUL's share in the small car market. This sent clear signals to MUL that fuel economy was no longer the major value proposition for the Indian consumer. To arrest the erosion in market share, MUL launched new models like Wagon R and Alto in the B segment. The Alto, is a 1000cc small car whose features include a 16 valve aluminum engine. "The car is intended to create a new niche between the basic 800 model (M800) and the Zen and will tackle the problem of model fatigue that is faced by the company's existing models."

At present, A & B segment cars account for over 83% of the total units sold in the passenger car market. In the entry level, A segment, MUL enjoys a monopoly status with its M800 model, which sold nearly 12,000 units per month in 2003. In the B segment however is very different. While MUL has three different models in the segment (Zen, Alto, Wagon R), commanding a combined market share of 43% in FY03, Hyundai's Santro is the clear segment leader. The Santro currently clocks an average of 7000 units/month, with a market share of 30% in FY03. The other key player in the segment is Tata's Indica V2, with a market share of 26%. The C segment accounted for just 15.5% of the total car market in FY03, with Hyundai's Accent being the market leader. Tata's Indigo is the latest entrant in this segment. MUL expects the competition within this segment to remain highly intense with a host of new model launches planned by Ford, GM, Honda, Hyundai and Telco. The premium-end D and E segments have a very marginal presence in overall volumes.

Questions for Discussion:

1. What are the various factors that led to the success of the Maruti 800 (M800)?
2. Why did a majority of the new entrants choose to enter India by targeting the B segment car market?
3. What are the factors that led to the launch of Alto by Maruti? What is the role of Alto in the product mix of Maruti?

Caselet 36

Perfetti Van Melle India is one of the top confectionary product manufacturers, with brands like Alpenliebe, Big Babol and Centerfresh in its stable. It recorded a sales turnover of over Rs. 400 crore, within a decade of its entry into the Indian market. Perfetti was able to capture a larger market share within a short period of time because of its good product portfolio, distribution network that covered even smaller towns and villages, and effective brand building exercises. Its Italy-based parent company, Perfetti Van Melle S.p.A, looked at India as one of the top five markets, in terms of market potential.

The Indian subsidiary has two manufacturing units, one in Haryana and the other in Tamil Nadu, and Perfetti decided to invest another Rs 150 crore in the Indian operations. This investment was to be used for R&D and to improve its product mix and distribution network.

Perfetti entered the Indian market in 1994. At that time, unorganized players ruled the market with an aggregate market share of 80%. The hold of unorganized players over the market was attributed to their ability to offer products at prices as low as 25 paise. The organized market was dominated by Parry's, Nutrine and Cadbury's. At the beginning, distributors were unwilling to deal with Perfetti as it was completely new to the market. Its foreign tag added to its problems. Commenting on this issue, Ashok Dhingra, director, sales and marketing, Perfetti Van Melle, said “Distributors could not even pronounce the company’s name, leave alone wanting to sign up.” These problems were the result of Perfetti’s decision to enter the Indian market independently in contrast to other MNCs who came into the market through partnerships with Indian companies. Wrigley’s had tied up with Parry's for distribution of its products and Joyco had entered into a joint venture partnership with a 51:49 stake with Dabur Foods. Perfetti, on the other hand, entered the Indian market without a distribution system. During its initial days, the company adopted a booking system where the company's sales personnel directly took orders from the retailers and delivered the products.

But the company got a shot in the arm when its parent company acquired Van Melle, a Spanish confectionery major. The acquisition brought a distribution network of 3 lakh outlets into Perfetti India’s fold. Van Melle was already present in the Indian market selling popular brands like Fruit-tella and Marbels. But increasing the outlets from this point became a difficult task for the company. It felt that instead of expanding the distribution network over a large number of regions, it would be better to focus on penetrating deeper into specific areas. This decision was taken based on the unique nature of the Indian retailing industry—confectionary products being sold at every conceivable place from pan shops to the big retailers. Thus Perfetti planned to improve sales by concentrating on some specific regions and having more of a presence within these regions. The company felt that small retailers could provide the much required sales for the company.

But the small retailers were not capable of buying larger quantities due to space and money constraints—they just ordered Rs 150 to Rs 300 worth of products per week. Sales personnel serviced such small retail outlets on a weekly basis. The company felt that by servicing these outlets more frequently say twice a week (with smaller lots), they could provide the retailer with more opportunities to buy. But there was a small hitch in implementing this strategy—retailers were not willing to buy the same brands twice a week. The company felt that the solution lay in offering a different set of products at every visit by the sales personnel. The other problem the company faced was that some of its products were competing for the same space as the retailers perceived them to be substitutes for each other. For example, retailers chose between Cofitos and Alpenliebe original, both Perfetti products. This was because both being candies with same structure, retailers considered them as similar products with different brand names.

So the company devised a unique distribution strategy to solve this problem. It divided its 11 brands into two groups, P1 and P2. The P1 group consisted of Alpenliebe original, Chlormint, Big Babol and Centerfresh. The P2 group consisted of CenterShock, Chlormint gum, Mentos, Marbels, Fruit-tella, and Happy Dent. The company then distributed these groups to different distributors based upon the place and the type of market, so that the conflict between the brands was completely removed. But restructuring of the product portfolio did not go down too well with the distributors as the P1 group had more fast moving brands than the P2 group. And one distributor commented, “It is difficult to understand why the company wants to take away some of the brands from me while the neighboring distributor will be given the remaining brands.” The distributors pointed out that though distribution costs were the same for both groups, the sales of the P1 group products were double the sales of the P2 group. Analysts felt that this could add to the discontent among the distributors who were assigned the P2 group. Moreover, the company did not increase margins for distributors (P2) and retailers to compensate for the change in distribution policy. It paid a 5% margin to the distributors compared to the average industry figure of 10%. Retailers were paid 15% when the industry standard was around 30%.

The company appeared to be of the view that it could not improve its sales by providing higher margins to the channel partners. Instead, it seemed to want to focus on promoting of the products. Since confectionary products are more of impulse buys, the company felt that through heavy advertising and marketing of the products, it could pull the customers and thereby improve sales.

This thinking was reflected in the company's advertisement budget, which was to the tune of Rs 17 crore, much higher than those of other players in the industry. Thus, the company compensated the distributors and retailers with a promise to create a continuous demand for its products in lieu of low margins. It also offered hefty sales-linked incentives such as increase in margins in percentage terms with increase in sales and offered one pack free on every pack sold.

By revamping the distribution network, the company consolidated its position in the marketplace and went on to become the market leader in some segments. Centerfresh with a 35% market share became the leader in the Rs. 30 crore chewing gum market. Alpenliebe was the market leader in the deposit candy category, which the company developed from scratch. Alpenliebe with a Rs 160 crore sales is commanded a market share of 80% of the overall sales of Rs 200 crore in this category. Nothing demonstrates the success of Perfetti India’s distribution strategy better than the fact that its competitors adopted it themselves, some of them with slight variations. Analysts say that Cadbury regrouped its product portfolio into two groups, C1 consisting of chocolates and Bournvita, and C2 consisting of other low-priced confectionaries. A competitor even acknowledged the efficacy of this strategy. Parrys Confectionery managing director, N C Venugopal says, “Perfetti’s segmentation has ensured that jars at kirana stores aren’t left half-empty for some days in the week.”

Joyco also followed a similar strategy but with a small difference. It divided its products into three groups. However, the distributors carried all the brands unlike in the case of Perfetti. Joyco distributed one group in the first two days of the week, and another group in the next two days, and so on. As a result, it was able to increase the visits to the retail outlets significantly and remove the conflict between the channel partners. Commenting on this issue, Arun Hegde, managing director, Joyco, said “There is hardly any disparity between the turnovers of distributors. So we don’t have disgruntled distributors lining up to resign due to loss of business."

While even competitors acknowledge Perfetti’s strategy, the question is what happens when big FMCG companies like HLL and ITC, with their deep pockets and huge distribution network, opt to enter the confectionary business. Analysts doubt whether Perfetti will then be able to withstand the market competition.

Questions for Discussion:

1. Analyze the distribution strategy of Perfetti, which enabled it to become a leading player in the Indian confectionary market.
2. The product allotment and commission strategy adopted by Perfetti led to discontent among the channel members. Explain the company’s rationale in adopting such a distribution strategy?

Caselet 37

In the late 1990s, the global direct selling giant Amway had to contend with increasing doubts regarding its survival in India. The company that had become synonymous with network marketing or multi-level marketing (MLM) the world over was beset with problems.

Media reports were quick to point out Amway's failure to sell the basic concept of direct selling to the Indians. Though the company managed to rope in a substantial number of distributors, the attrition rate was at an alarming high of 60-65%. Most of the products that the distributors bought, they consumed themselves. Estimates put the percentage of self-consumption at almost 50-60% of the total volume. (There were rumors that some distributors enrolled just to take advantage of the distributor's margin of 18-30%). In the initial stages, when trials were the only criterion, this worked well. However, this self-consumption did not translate into repeat purchases. This was because the percentage of 'active' distributors at any given point of time remained at a low level of 35-40%. Many people who joined in the initial frenzy returned the product kits within the first month. Company sources claimed that the returns constituted just 1% of the total strength, but rivals and ex-employees put the figure at over 5%. Of the total distributors, only about 10% showed reasonably high levels of activity.

To top it all, Amway was burdened with an image that had little basis in fact. Its products began to be perceived as being very expensive and meant only for the premium segment. This was identified as the single biggest reason for the high attrition rate.

Amway also had to contend with customers complaining of poor customer service on the part of the company. Analysts commented that as long as the volume of products that moved through the network was high, network market such as Amway were satisfied. Even though customers complained of the lack of services, the company deemed it more beneficial to go for higher sales force motivation programs rather than undertake customer service initiatives. This was largely due to the fact that the company was almost never involved directly with the end-consumers and the sales volumes were the end of all discussions.

Amway soon woke up to the reality that it had to take steps to put its MLM machinery back to the track. For this, it had to first identify where it had gone wrong. Amway realized that like most direct marketing networks, it had hoped to leverage the global promise of the lucrative business opportunity for its distributors. Though this made sense in the developed consumer markets of the West, in India, distributors also needed to know the value of the products they were selling, this aspect was overlooked by the company.

One of the first 'corrective' measures it took was putting stickers on its products, which clearly indicated the number of usages very clearly. For instance, it introduced stickers on the packs of its car-wash solution to emphasize the number of washes that a consumer could get per bottle. The idea was to firmly establish the fact of Amway's products being highly concentrated and with very low per usage cost. This practice was later expanded to other products as well.

Amway realized that a complicated market such as India needed a focused approach for each of the product categories. To strengthen its product focus, Amway set up strategic business units. Thus, though Amway had centralized marketing of all products worldwide, its Indian arm appointed category managers for individual product categories.

Amway also decided to focus on the market in the smaller towns. Quick expansion of the distribution network to smaller towns was identified as a major tool to offset the impact of attrition. The game plan was to reach consumer homes all over directly by making the current distribution system more effective and decentralized. In early 1999, Amway realized that servicing distributors in 160 cities through its 13 locations was curbing growth due to unavailability of critical infrastructure like networked banks, toll-free phones and multi-service courier companies. The cost of making long-distance calls, the courier companies' refusal to accept cash and the time taken to deliver products were the three major hurdles that Amway faced. The typical direct selling system comprised a central warehouse located close to the manufacturing locations, which sent the products to regional hubs like the metros and then on to the branch offices. As opposed to the traditional FMCG delivery setup, where the distributors or retailers carried inventory, here it was taken care of by the company warehouses and their region-specific distribution centers. Long distance calls and courier companies took care of distribution in cities where the company had no presence. However, with these facilities not being up to the mark, Amway decided that it had to effectively handle these issues and rapidly expand its offices in order to capture the growing direct selling clientele in the country.

The company also decided to give incentives to cost and freight agents (C&FAs) who could deliver parcels in the same city within 48 hours and outside, in about 72 hours.

Amway then planned to tap unemployed youth in smaller towns by subsidizing the entry fee for the starters' sales kit. Amway also offered to finance the sales kits through interest-free loans. It even gave free kits to visually impaired youth in Rajasthan. But media reports were skeptical about Amway's strategy to use localized strategies for its global products. This 'gamble' as Amway's biggest test case the world over, they remarked.

In a bid to make its products more affordable, Amway introduced value-for-money 'chhota (small) packs' in December 1999. The sachets significantly boosted sales. Sachets had two advantages – they helped Amway shake-off the 'super-premium-products-only' tag, and their lower prices invited consumers from lower income levels to try the products. This was expected to increase brand penetration.

The most significant of Amway's Indian initiatives were its 'Indianisation' efforts. The company started printing Hindi slogan 'Hamara apna business' (our own business) on its stationery. The company's first product line, Persona, was created specially for the Indian consumers. Amway even named its expansion drives as 'Operation Gaadi' and 'Operation Ghar.' Operation Gaadi was launched in east-Uttar Pradesh where a store was mounted on a truck and made trips to different regions on different days. The project was later extended to West Bengal as well. Operation Ghar was primarily designed to provide better service to the customers as well as to its large family of distributors. Involving an outlay of Rs 15 crore in its Phase I, Operation Ghar eventually covered 19 state capitals. Operation Ghar was designed to provide five Es - ease of ordering, ease of paying, ease of receiving, ease of returning and ease of information/operations. Amway also utilized the Internet and electronic kiosks to hook up with its distributors and give them information.

Questions for Discussion:

1. Comment on the concept of network or multilevel marketing. Do you think the model would be successful in India? Also, compare and contrast the MLM model with the traditional distribution system, bringing out the merits and demerits of both.
2. Critically examine the corrective measures adopted by Amway to make the MLM model a success in India.
3. What further measures can the company take in order to tackle the competition from FMCG majors like HLL and P&G?

Caselet 38

Alcatel, a France based telecom equipment provider, is a leading player with an annual revenue of Euro 16.5 billion in 2002. It provides telecom applications and services for wire line and wireless businesses. The company has a market share of 11% in the global GSM market. Alcatel has been in India since 1982 and is the first telecom infrastructure provider to enter the Indian market. However, Alcatel failed to cash in on this advantage to capture the growing mobile phone market. Other companies such as Siemens and Ericsson have taken lead in the market.

Alcatel was still developing the technology for the GSM market during the 1990's when the mobile market is in a nascent stage. Thus could not take early lead in the market. After developing the technology, the company made a deal in 1997 with Koshika (of the Vinay Rai Usha Group), a regional cellular player with presence in four circles, Bihar, UP (east), UP (west) and Orissa. However, that deal did not materialize as the Indian government cancelled Koshika's licenses. This resulted in a loss of around $ 100 million for Alcatel.

Due to uncertainty and expensive services, at that time the cellular market has experienced slow growth thus limiting the options for service providers to add capacity. Thus, the market did not look promising to Alcatel. Therefore, the company focused on other areas of the telecom industry, the wire line market and the digital microwave market. With over 50% market share, the company achieved a leadership position in the fixed line switches business and captured 29% in the digital microwave market. These two businesses grew at a snails pace as a limited number of players operated in this segment. Even though the market was opened to private players, BSNL continued to be a major player in the market. As a result, growth in this segment was slow. Low sales and high excise duties (60-65%) made the mobile handset market less profitable.

However, things have since changed and market conditions are favorable. The parent company started considering India as an important market. Thus, Alcatel India refocused its efforts on improving its position in the mobile market.

The new thrust by Alcatel on the GSM market was triggered by the size of the market and its high annual growth rates. With 1 million subscribers being added every month in the year 2003, India is next only to China in terms of growth rate. According to the Cellular Operators Association of India (COAI), the number of subscribers is expected to increase to 120 million by 2008 from the present figure of 21.19 million subscribers. The mobile phone market is estimated to be around $5 billion of which the GSM market is worth $1.5 billion. Even with such figures, the mobile phone market has just 1% penetration in the communication market thus signifying the size of the market.

Globally, the GSM market has around 77.6% market share in the total mobile phone market. Thus, GSM is the globally accepted technology which any company can bet on. The GSM market can be divided into two categories – the handset market and the application and infrastructure market. Alcatel wants to gain larger shares in these two markets.

Alcatel estimates that with an annual addition of 12-15 million subscribers, service providers need to increase capacity to meet the needs of growing subscriber base. This provides an opportunity for Alcatel to capture the infrastructure and the applications market. On the handset front, 18.3 million handsets were sold in the year 2003 and the replacement market is growing, which provides Alcatel ample opportunity to grow.

The company had set a target of achieving 15 to 20% in the handset market and the infrastructure market. The company now wants a larger share of the market and expects that the GSM market will contribute nearly 50% of the company's revenues in the coming years.

To augment this growth, Alcatel decided to fine-tune its marketing strategy. In the handset market, Alcatel wants to launch low-priced models to capture the entry-level subscribers. It has launched the T320, which is the cheapest mobile in the market with a price tag of Rs 3000. The company also plans to launch premium models at a lower price than its competitors. It is planning to launch a low priced color mobile phone with features like an eight-level zoom camera, polyphonic ring tones and a lithium-ion battery. The company has tied up with Videocon to use their distribution network of

40,000 outlets. It also wants to tie up with service providers. Talking about its pricing factor, Alcatel's Managing Director and Country Senior officer- India & Nepal, Ravi Sharma said, "We have no competition in this range. Nobody should come near us". Thus it wants to penetrate into the market by making substantial price cuts.

On the infrastructure and application front, the company wants to launch its Evolium range of GSM products. According to the company, these are more advanced than their competitors' products. The company claims that its products have low initial equipment prices and require lesser GSM base station sites to provide services for a large number of customers. This is so as its products have a higher radio performance than its competitors' products. The products are developed based on the GPRS and EDGE technologies, which are more advanced than the present day technologies used by the competitors. It claims that service providers only require software upgradation rather than complete replacement of the equipment, thus saving substantial costs for them.

According to Sharma, the Indian market is a price sensitive market and hence company's focus on providing products at the lowest prices can help in achieving a larger market share. Since it produces most of the mobile network equipment, the company can provide customers end-to-end solutions at a lower rate. The company's USP is that it can provide turnkey solutions ranging from Intelligent network to MMS and advance MMS. Thus, the company wants to position itself as a super shoppe for GSM application and infrastructure.

Analysts are skeptical about Alcatel's success in the GSM market. They claim that competition in the mobile handset market is cut throat. Analysts point out that Alcatel is a late entrant and has low brand awareness among consumers. In addition, leading Chinese handset manufacturers Kyocera and Bird who are known to be price warriors are entering the Indian market. These factors blunt the Alcatel price advantage.

On the infrastructure front, Siemens, Ericsson and Motorola are well entrenched in the market thus giving little chance for Alcatel to enter. These companies also have relationships with a large number of service providers, making them preferred suppliers. For example, Ericsson provides equipment and services to RPG, Bharti, Hutchison, DoT and Reliance.

Analysts are also critical about the company's focus on the price factor. A senior official of one telecom infrastructure provider said "What operators need is a product that interfaces seamlessly with other technologies. Price is not as important as that."

Questions for Discussion:

1. Why do you think Alcatel has refocused its efforts on the GSM market?
2. Do you think Alcatel's penetrative pricing strategy in the handset market will help in improving its market share?
3. "What operators need is a product that interfaces seamlessly with other technologies. Price is not as important as that." What are the key factors that organizations consider while making purchasing decisions?

Caselet 39

The entry of the Korean automobile major, Daewoo Motors India Ltd. (Daewoo) in the Indian passenger car market was heralded as a milestone for the industry. This was because Daewoo was the multinational to challenge the might of the market leader Maruti Udyog Ltd. (MUL). Daewoo's first vehicle, the 1500 cc Cielo was launched in three versions (Cielo, Cielo GLX and Cielo GLE) in July 1995. Consumers who until now had no other option besides the Maruti Esteem in the mid-size segment, rushed to buy the Cielo. Bookings for the three models reached 114,000 in a short span of time.

With the car registering high initial volumes and its plans to become a Rs 100 billion company by 1998-99, Daewoo seemed all set to give MUL serious competition.

However, Daewoo was in for a major shock as around 70,000 customers cancelled their bookings within a few months. Daewoo had predicted an annual turnover of over Rs 10 billion and sales of 20,000 cars by March 1996 - but managed to record a turnover of Rs 6.05 billion and sales of only 9,044 cars. During April-December 1996, only 13,776 Cielos were sold against the targeted 52,000. During April 1997-February 1998, 9006 Cielos were sold, a decline of 41% from the corresponding period previous year. In 1998-99, 5500 Cielos were sold, a fall of nearly 50% over the previous year.

The lack of a focussed approach and inconsistent policies were reported to be the two main reasons that led to the Cielo's poor performance. However, the seeds for Cielo's downfall had been sown when Daewoo launched the car in an extremely hurried manner - the MoU[1] was signed in October 1994 and the first Cielo rolled off the assembly lines in July 1995. In its hurry to start its Indian operations, Daewoo entered the market with a high import content - thereby not being able to keep the prices significantly lower than the competitors. The low indigenisation level also translated into high costs of spares. Experts commented that the Cielo had been launched without any detailed market survey.

Daewoo began production of the Cielo at the Surajpur factory, originally built by the DCM-Toyota venture in 1985 to manufacture light commercial vehicles (LCVs). As the scale of operations increased substantially with not much modification to the plant, quality defects could not be completely avoided. Complaints of poor fuel efficiency soon surfaced. A Daewoo official from Korea remarked, "We had problems due to bad quality of fuel." Media reports remarked that this had happened because Daewoo did not understand the Indian market properly. Daewoo sought to tackle this problem through its sales staff. However, the sales staff was reported as not being sufficiently trained to counter such problems. They simply could not react to consumer complaints.

Like most of the other automobile companies in the mid 1990s, Daewoo had been lured by the much talked about 'Indian middle class market boom,' which never took off in reality. Daewoo had assumed that there was a huge pent-up demand for cars priced above Rs 5 lakh. The company also banked heavily on demand from the taxi/hotel car fleet and corporate segments. However, most of the above did not materialize the way Daewoo had planned. A Business India report revealed that most prospective Cielo buyers already owned an Esteem, and the decision to buy a second or third car could be postponed. The liquidity crunch due to the recession in the economy resulted in demand declining sharply - from the individuals as well as the taxi/hotel car fleet and corporate segments.

In late 1995, Daewoo realized that it needed to give Cielo a strong push to improve the sales. The company then devised a promotional campaign, called the 'Diwali Bonanza scheme' for corporates, offering one Cielo free on purchase of every ten cars. This was followed up with a lottery scheme for individuals, wherein the winner was awarded a car. It was revealed later that the promotional scheme was pushed by Daewoo's marketing head from Korea inspite of the Indian managers vehemently opposing it. A former Daewoo executive said, "There was actually no need of the promotion. People began to look at the car with suspicion."

The Cielo had till then been promoted as a feature-rich, luxury family car. The free Cielo scheme did immense damage to the car's brand equity, particularly in north

[1] DCM-Daewoo had signed a MoU with the Government to import CKD (completely knocked down kits). The MoU had to be signed since imports of CKD items for cars was banned and required a license.

India, which accounted for around 80% of Cielo sales. The bonanza scheme somehow projected a picture that Daewoo had substantial non-moving Cielo stocks, thereby turning off the ‘status-conscious’ buyers. Before this scheme, Cielo was selling about 2,500 cars a month, which fell to 100 by the time the scheme ended in early 1996.

In its desperation to maintain volumes, Daewoo then began offering hitherto unheard of incentives to dealers and financiers, who in turn passed them on to customers through lower interest rates. Daewoo and its financiers were even questioned by the Monopolies & Restrictive Trade Practices authorities to explain how its finance rate could be as low as 14.33%, while the prevailing car finance rate was 23%. The company explained it by claiming that it was offering discounts of up to 10% of the car value (Rs 6 lakh) to financiers, provided they reduced the cost to the customer by keeping the interest rate low. Daewoo later claimed that these inquiries were instigated by its competitors to tarnish its image.

After the finance schemes, Cielo announced a test drive scheme to lure the buyers in April 1997. The scheme entitled all car owners to participate in a draw where 200 Cielos were given to the winners for 18 months. On completion of this period, the winners had the option of either buying the car by paying 70% of its original on-road price or returning it to Daewoo. The company claimed to have successfully tried out this scheme in the UK and Korea earlier. The scheme was intended to enhance Cielo’s credibility in the marketplace. However, the low finance rates and the test drive schemes faced the same criticism the free Cielo scheme did.

Daewoo’s positioning efforts for the Cielo were termed ‘unmemorable and poor’ by analysts - largely due to the frequent changes in the positioning. Initially the car was positioned on the ‘technology with aesthetics’ plank, which was later moved on to a ‘premium family car’ positioning. Analysts remarked that the family-car positioning did not match with the premium image Cielo was trying to project in the beginning. This premium communication began to clash with subsequent value-for-money initiatives that followed. Such moves only ended up confusing the customer.

A Daewoo source commented, “Tell me one ad campaign that improved the car’s sales by even 0.1%? Cielo began on a luxury plank and ended on a ‘Val-You’ note.” Media reports remarked that Daewoo’s not being able to properly position the car proved to be the biggest reason behind Cielo’s failure. An analyst commented, “They must have tried almost every positioning.”

As all of Daewoo’s efforts seemed to be failing, the company Daewoo decided to introduce a hefty price cut of Rs 1.5 lakh in January 1998. After this, the GLE model cost Rs 4.9 lakh in Delhi showrooms compared to the earlier price of Rs 6.2 lakh, while the GLX model cost Rs 5.7 lakh compared to the earlier Rs 6.8 lakh.

Daewoo’s move took the industry players as well as the customers by surprise. It was even reported that a leading Daewoo competitor sent anonymous letters to automobile dealers on ‘how the price reduction had seriously eroded customer confidence in Cielo and was done mainly for the 1996 models stuck in their stock.’ However, Awasthi preferred to call it ‘price correction,’ saying that the price slash had been possible because of the company’s achieving a higher indigenisation level (70.10%) and better foreign exchange management. He added that the decision was in line with Daewoo’s global strategy of working on lower margins.

Immediately after the price cut, Cielo’s sales increased to 906 per month in January and February 1998 compared to 314 units in December 1997. Although Cielo became the cheapest mid-size car in the Indian market, this move almost wiped out the car’s credibility in the market. After the price reduction, Daewoo had to work very hard towards salvaging the car’s image. This was done by the new ‘value benefits’ positioning for Cielo in the mid-size segment. Daewoo launched the ‘Valyou’ campaign designed to educate the customer on the new positioning, highlighting the Cielo’s features. The idea was to convey that the Cielo now offered more value for less money and not just the same value for less money. Thus, the aspects of Technology Valyou, Comfort Valyou, and Safety Valyou were emphasized. As a result of these initiatives, in March 1998 sales went further up to 1102 cars.

For 1997-98, Daewoo increased its advertising budget substantially and released double-page advertisements in leading national dailies carrying pictures of a range of automobiles. This was done to give confidence to customers that Daewoo was not just a single-product company. Also, whereas the earlier advertising focused on Cielo, it now focused on the Daewoo brand in the same way as other multinational car brands did. However, these moves failed to have the desired effect and as predicted by industry analysts, the impact of the price cut and new campaigns soon wore off - by February 1999, sales fell to a low of 148 cars per month.

Questions for Discussion:

1. Analyze the reasons behind the failure of Daewoo Cielo. Do you agree that the company itself was responsible for its problems?
2. In spite of being the first MNC player in India after MUL, Daewoo could not make its automobile venture a success. How far was the Korean parent responsible for the Cielo debacle? Discuss.

Caselet 40

Louis Vuitton, Hugo Boss, Bentley, Mont Blanc, which were unfamiliar names to Indian customers until recently, have become household names with their increased penetration into the Indian market. Luxury brand marketers are not just making their presence felt but increasing their activities in India. The entry of these players is not limited just to one or two categories like cars and watches but extend to accessories, apparel, wines/spirits, and beauty products. The sales of these brands are also encouraging.

Louis Vuitton, a luxury bags manufacturer, is getting good response from Indian consumers even though the average price of their bags is around Rs 35,000. The company was able to sell 2000 units multi-colour monogram bags, which are priced above Rs. 68,000, within three months of its launch. Encouraged by the response from the market, the company is opening a second outlet. According to Prasanna Bhaskar, Retail Manager of Louis Vuitton, major portion of the sales are not coming from NRIs and foreign tourists who are the usual customer segment for luxury brands, but from the upper-income Indian consumers.

Bentley had a similar experience. Exclusive Motors, which has the Bentley car dealership in Delhi, has sold seven units of the Arnage R model at price of Rs 1.99 crores per unit. Exclusive Motors is planning to bring in another Bentley model, Continental GT, in January 2004. Continental GT, a two door 560 bhp powered engine, sports car model, is priced at Rs 1.65 crore. Commenting on their plans, Satya Bagla, owner of Exclusive Motors said, “We feel there is a market here. It is a rich country, which is why all the luxury brands are now coming in. We intend to bring in more products next year". He plans to open another dealership in Mumbai.

Another category of products that has seen a large inflow of foreign luxury brands is the watch industry. The Indian luxury watch market is supposed to be worth Rs 400-600 crores with an annual growth rate of 20-25%. The two key players in this market are LVMH and Swatch. LVMH manages as many as 50 luxury watch brands worldwide. In India, LVMH plans to focus on two key brands - Christian Dior and Tag Heuer. LVMH plans to increase its marketing activities for these two brands. The company has set a marketing outlay of Rs 10 crore for Tag Heuer and Rs 3 crore for Christian Dior. To make the brands more attractive and affordable, LVMH has launched a zero interest financing scheme. It is looking for a brand ambassador for Christian Dior.

Swatch, which is the market leader in Indian luxury watch market with 80% share, is also stepping up its marketing activities. Speaking on the issue Gopalratnam Kannan, Country Manager, Swatch Group said, "We are looking to increase the advertising/marketing expenditure on our brands by 30-40 per cent next year." Presently Swatch is focusing on Longines, Rado, Tissot, Swatch and Omega brands.

Luxury watchmakers are also increasing their distribution channels to improve their sales. The luxury watchmaker, Baume & Mercier, which has been operating in India for the last four years, is now targeting smaller towns. Corum (another luxury watch maker) is targeting smaller cities like Chandigarh, Pune, and Ahmedabad. Analysts cite the increase in number of upper-income group consumers as the key reason for the heightened activity in the luxury brand market. They also say that these brands are patronized not just by the higher income group consumers but also by the upper middle class customers. Anil Rajpal, Manager, KSA Technopak says, "There has always been a market for these brands considering that the top strata used to shop outside. Now even the upper-middle class consumers are graduating to that level, purchasing a luxury brand, say, once in every three years or mainly occasion-based buying. Income levels too have gone up steadily in the past few years." Increased purchasing power accompanied by a rise in aspiration levels has resulted in the upper middle class consumer's purchase of luxury brands.

Questions for Discussion:

1. Today, almost every foreign luxury brand is available in India and the marketers of these products are scaling up their activities. Analyze the distribution strategies adopted by luxury brand manufacturers that have led to the growth of the market for luxury products.
2. "Increased purchasing power accompanied by a rise in aspiration levels has resulted in the upper middle class consumer's purchase of luxury brands." Suggest some strategies that can improve the market for these premium brands.

Caselet 41

A woman suggestively bites at her husband's ear as he surfs the net. Eventually he asks her in an angry voice: "Hungry, kya?" She nods expectantly, so he advises her to order a Domino's pizza. A man whistles appreciatively at a lady, she turns around, grabs him by the collar and asks him in a husky voice: "Hungry kya?"-and a voice over orders a Domino's pizza.

Domino's pizza started its operations in India in 1997. Till August 2000, when the television campaign ("Hungry kya"?) was launched, Domino's advertising strategy was mostly limited to banners and linked to specific promotions. In 2000, the pizza market was estimated to be over Rs. 100 crore. The dial in culture had already caught on, and pizza was becoming as acceptable a food as an idli or dosa. Domino's now wanted to build volumes through distribution and advertising so that its product could reach middle-class homes.

The job seemed to be difficult as Domino's didn't have retail outlets that it could leverage for brand building. Recalled Gautam Advani, Chief of marketing, "The brick and mortar ambience as key to a satisfactory consumer-product interaction was not available to Domino's. Therefore, we had to enter the homes of the people and the best way of doing this was through the tube." In March 2000, Domino's hired Trikaya Grey to handle its account. Trikaya's brief was to target the home food category. But there seemed to several other issues that confused both Domino's and the agency. First, how should the pizza be positioned-as a meal or a snack? Second, how far should the pizza be Indianized so that it had the mass appeal and at the same time did not lose its identity.

Domino's and Trikaya decided to have a brainstorming session in Bangalore where they invited management expert Prahlad Kakkar as well as managers from Arvind Mills, Channel V and IMG. Said Prathap P Suthan, associate vice president, Trikaya Grey, "The idea was to liaison with people who have, in some way, changed the paradigm in their respective fields and come up with a strategy for Domino's."

It was at Bangalore that the agency got the approval for regionalization of the pizza, which finally led to the Chetinnad and Peppy Paneer varieties. However, pizza could not be positioned as either a snack or meal, because it seemed to be both. The Bangalore session also came up with a few creative ideas. First, it was thought of creating some sort of a cult around pizza eating with some rituals put in. Second, the 30-minute wait would be magnified showing what a person went through as he waited for the pizza he had ordered. The third option was to portray a day in the life of a delivery boy.

But all these options suffered from the same drawback: they did nothing to connect the pizza with the consumer. Said Suthan, "None of these ideas would actually impact our lives. How is the consumer interested in the delivery boy's life? These ideas presented no trigger points for the consumer to pick up the phone." Trikaya now knew that it had to create a stimulus that would make people order in.

The team then began to think in generic terms. Why did people actually eat a pizza? The most basic answer was because they were hungry. There seemed to be a direct link between the consumer and company-hunger. The team decided to use hunger as a platform to communicate and came up with the line "Hungry kya?"

The first few commercials showed physical hunger like a girl chewing at her sweater. But once these ads had established that hunger was synonymous with Domino's, they decided to go ahead with the 'Hungry Kya' advertisement. Said Suthan, "Unless you expand on the idea, it can get boring. So we brought in hunger as a desire, as a need, and today we have 16 spots on air."

The 'Hungry Kya' advertisement was restricted to a 10-second spot because as Suthan explained, "the urge to eat hits you in a flash". The advertisement aimed at being relevant as well as creative and seemed to give several reasons to call Domino's. Not just when someone was hungry but even when someone was walking, watching television etc.

The ad sequences had a fair topping of humor. Said Suthan, "It is quirky in keeping with the flavor and character of the product. And it has become a talking point. Now people are also writing in with ideas."

Domino's claimed that sales had picked up by 30% since the ad broke in August.

Questions for Discussion:

1. How do you explain the success behind Domino's 'Hungry Kya' campaign?
2. What other communication channels can Dominos use to promote its products?

Caselet 42

On April 23, 1985, Coca-Cola, the largest aerated beverage manufacturer of the world, launched a sweeter version of the soft drink named 'New Coke,' withdrawing its traditional 99 years old formula. Coca-Cola's decision to change Coke's formulation was one of the most significant developments in the soft drink industry during that time.

By early 1980's Coke sales were on decline. By 1984, Coca-Cola's overall market share had dropped from 9.8% in the early 1970s to 4.9%. This became a major cause of worry for the top management of Coca-Cola. This prompted the then CEO Roberto

Goizueta to reformulate the 99-year old Coke formula. The purpose was to increase Coca-Cola's market share as well as to defend its position as the market leader.

A thorough market research was conducted which included interviews with about 2, 00,000 consumers. This involved an expenditure of $4 million over two years. The results indicated that consumers who were very fond of Coke constituted 10-12% of the total number of soft drink consumers. When asked for their reactions to the change in Coke's taste, half of 10-12% loyal Coke consumers said that they may oppose change initially, but would eventually accept it, while the other half said that they would never accept any change.

In some cases, the response was contradictory. For instance, some of the consumers, who had said that they prefer Coke to Pepsi, were found to be drinking Pepsi most of the times. Others said Coke was their favorite drink but they drank even Pepsi, or any other drink, which were available at that time. It was discovered that many people preferred Pepsi to Coke because Pepsi was sweeter. Coca-Cola felt that the sweeter taste would appeal more to teenagers and youth. Hence, it decided to launch a sweeter version of Coke, the taste of which would be similar to Pepsi.

Coca-Cola also conducted a Focus group research that revealed that many people were willing to try New Coke. However, some believed that Coca-Cola should not alter the taste of the drink. Although both the surveys (Focus group and Survey research) indicated consumer dissatisfaction, their results were contradictory to each other. While the survey result indicated that such dissatisfaction was limited only to a small segment of the market, the focus group research observed a wider dissatisfaction.

Coca-Cola launched New Coke in April 1985 with the punch line 'Catch the wave.' This change in Coke's formula was publicized through the television and newspapers. The company said that the introduction of New Coke conformed to its efforts to be innovative in its marketing strategies and establish good customer relationships. The announcement reached more than 80% of the American population within twenty-four hours.

The launch of New Coke elicited mixed reactions from the public. The initial response to the product was encouraging with distributors reporting a fairly wide acceptance of it. According to the analysts, the reason for this was that consumers had not tasted the product yet, and were thus curious about its taste. However, the consumers realized that the taste of New Coke was similar to Pepsi's and worse when compared to the taste of the original Coke.

A majority of original Coke lovers criticized the company's act of changing its formula. Many of them stored large stocks of original Coke at home. Consumers perceived New Coke as a 'me-too product' with a sweeter taste like Pepsi. Some said that the original Coke had a unique taste that was stronger than New Coke. Some consumers reportedly complained that the taste of New Coke was similar to sewer water, furniture polish or two day-old Pepsi. An old Coke lover said that the company had spoiled the taste of its 99 year-old soft drink and betrayed the nation's trust. Meanwhile, black marketers made a killing as they sold original Coke at an exorbitant price of $30 per six-and-a-half ounce bottle.

After the launch of New Coke, Coca-Cola received more than a thousand calls per week from the Coke drinkers, most of whom informed the company that they were planning to substitute Coke with Pepsi since they found no difference between the two. Coca-Cola had received more than six thousand calls and around forty thousand letters from Coke loyalists from the US and abroad all complaining about New Coke after six weeks of its launch.

Due to the protests from a huge number of consumers and a significant decline in the market share from 15% at the time of the launch to 1.4%, Coca-Cola was forced to revert back to its original formula ten weeks later, by launching 'Coke Classic' on

11th July, 1985. By the end of 1985, Pepsi had more market share than the combined market shares of New Coke and Coke Classic. However, in early 1986, Coke again became more popular than Pepsi as the sales of Coke Classic picked up. By early 1986, New Coke had a market share of less than 3% which came down to 0.6% in 1987 and further down to 0.1% in the late 1980s. Coca-Cola later re-launched New Coke as 'Coke II' in 1990 (Refer to Exhibit IV) which soon phased out due to its unpopularity.

Analysts felt that Coca-Cola had failed to understand the emotional attachment of consumers with Coke - the brand. They felt that Coca-Cola had lost customer goodwill by replacing a popular product by a new one that disappointed the consumers.

Analysts felt that people had a high regard for Coca-Cola because of its innovative ideas, excellent products launched and the importance it accorded to people and the environment. Some analysts also felt that the findings of the market research group were erroneous and late. The research was either in an inappropriate manner or was interpreted incorrectly. Coca-Cola failed to understand that there was much more to marketing soft drinks than winning taste tests. According to the analysts, the research could not have measured the type of consumer feelings that were evoked from reformulation.

Market researchers also felt that Coca-Cola must have gone for focus group testing of a new product concept first and then used individual interviews to verify and quantify the results of focus groups. But, in reality, Coca-Cola carried out individual interviews first and then undertook the focus group testing.

Though the company knew that 10-12% of its loyal customers would not appreciate the change in its formula, it totally misinterpreted consumers' response regarding taste. The company was totally unprepared for unseen possibilities and this caused its market share to decline rapidly after the introduction of New Coke.

Questions for Discussion:

1. The launch of New Coke turned out to be a nightmare for Coca-Cola. Discuss the marketing implications of introducing New Coke.
2. Market researchers had expected Coca-Cola to conduct focus group testing of a new product first and then use individual interviews to verify the results of the focus groups. What other types of research methods would have been helpful to the company in providing consumer insights? Discuss.

Caselet 43

PaperMate, a global pen brand of Gillette, is entering the highly fragmented Indian market. The product will be marketed by Luxor Writing Instruments. The pens were targeted at a wider cross - section of people, including students, executives and the elderly. The product is positioned as a quality pen that offers smooth and smudges free writing due to its unique Lubrigude ink technology thereby offering a comfortable writing experience. Speaking on this Chintamani Rao, Senior Vice president and General Manager, McCann-Erickson India, the agency which handles the promotion of PaperMate said, ''Just as Titan elevated the watch category and in doing so was not looking to better HMT, PaperMate's reference points are going to be different. The attempt will be to elevate the entire pen category which is today a functional or commodity category.'' Thus, the company wants to position the product as a premium product.

Luxor is using an innovative distribution strategy for the PaperMate pens. It is directly distributing the products to the outlets, bypassing wholesalers. However, it is relying on them to distribute replacements. Apart from relying on its existing sales force, the company has tied up with Gillette's Indian arm, Indian Shaving Products Ltd (now Gillette India Ltd) to distribute pens in the targeted one lakh retail outlets in the first year of its launch. While the sales people concentrate on traditional retail outlets such as stationary and book stores, the tie up with ISPL ensures that the pens are available in FMCG outlets such as shops and supermarkets. This multi-pronged distribution strategy enhances the reach of the pens.

The company wants to use attractive point of purchase (POP) materials to display the products prominently in stores so that consumers are attracted to buy the product. The company wants to launch an advertisement campaign to capitalize on the initial awareness gained through the stores. Advertising is the key marketing tool for pen manufacturers to gain market share as the product is a commodity product. However, this is not often supported by good product and distribution. Luxor has taken care that the promotion is supported by a good product range and wide availability of the product. Advertising will be aimed at generating hype around the Papermate brand and in turn build it as a strong brand. The company has roped in Shekhar Suman to endorse the PaperMate brand. The advertising campaign highlights its unique selling propositions such as trouble free writing, better quality and the rubber body of the pen, which enhances its grip. It also conveys the message of romance by highlighting the two heart shaped symbols, which form a part of PaperMate's logo.

The average price of the range is Rs 20 which is much higher than the price of the pens available in India. Luxor wants to replicate the success that it achieved in marketing Parker pens which is also a premium product. Parker pens achieved a sales figure of Rs. 25 crores within a year of its launch. It was able to wipe out the gray market that constituted 9% of the total Parker pen sales in India.

However, analysts are not convinced with such a comparison. According to them, Parker pens succeeded because of two reasons. The brand recall for Parker among customers was very high before its entry. The pricing was kept at a competitive level with a starting price point at Rs 100. This is not the case with Papermate. The brand has negligible awareness among customers. Even the pricing is much higher than its nearest competitor Reynolds whose flagship brand 045 is selling at Rs 6.

The ball-point pen category which PaperMate is targeting is highly competitive. Apart from the big players like Reynolds, Cello, Rotomac, Flair and Stic, there are around 600 regional players operating in the market. Nearly 25% of the market is occupied by the unorganized sector.

The price of ball point pens ranges between Rs 8-Rs 10. So analysts are questioning whether the consumer is willing to pay such a high price for a low-value functional product. Moreover, Indian consumers display low brand loyalty and brand preference for the products like pens. Commenting on this issue, D.K. Jain, Chairman and President, Luxor says, ''when someone who is used to driving a Maruti car is given a Mercedes, he does not need to be told that it is a superior car, he can see it for himself. Same with Papermate, once consumers start using it they will realize its worth.''

Questions for Discussion:

1. Examine the marketing mix used by Luxor to market the Papermate pens.
2. What other steps do you suggest to make Papermate brand a success?

Caselet 44

The Indian liquor industry was in the news during early 2000's for its surrogate advertising practices which generated a lot of criticism from various quarters. The Indian liquor industry can be divided into two broad segments: Indian Made Foreign Liquor (IMFL) and country-made liquor. IMFL comprises alcoholic beverages that were developed abroad but are being made in India (whisky, rum, vodka, beer, gin and wine), while country-made liquor comprises alcoholic beverages made by local breweries. During 1999-00, the Rs 60 billion Indian liquor industry grew at the rate of 10-12%. While IMFL was consumed by the middle and upper classes of society, country-made liquor was consumed by the economically backward classes. The organized industry was dominated by Shaw Wallace (SWC) and United Breweries, which together accounted for around 53% of the total market.

On an average, liquor companies spent about 10-12% of sales revenue on advertising, including direct consumer promotions programs; sponsorships; and print and electronic media advertisements. Liquor producers spent heavily on advertising on the electronic media because of the reach of satellite and cable TV. On TV alone, companies reportedly spent about 3-4% of sales revenue. Though the broadcasters were bound by a 30-year old advertising code which banned them from airing advertisements that related to or promoted cigarettes and tobacco products, liquor, wines and other intoxicants, the telecast of such advertisements continued blatantly over the years. This was because the code was only a code of conduct, not a legally enforcing code.

But in the year 2000 I&B Ministry barred TV channels from telecasting liquor and cigarette advertisements. With pressure increasing from public interest groups to ban liquor advertisements, the government had to make amendments to the Cable TV Act 1995. While the Indian government could not take action on most of the satellite channels for violating the codes, as they did not uplink from India, but the cable operators were punishable under Indian law. The I&B Ministry also took steps to monitor the advertisements broadcast by these companies.

Due to the ban, liquor companies focused more on promotions for brand building. They started sponsoring events that projected the 'glamour' of the brands, like track racing, car rallies etc. Some companies also promoted their products through corporate advertising, distributing free gifts like caps and T-shirts with the brand name and using glow-signs outside the retail outlets. However, as the TV was the most effective medium of advertising, surrogate advertising on TV became more popular.

Even after the ban, liquor companies continued to advertise their drinks in the form of surrogate advertisements. Liquor producers entered new segments under the liquor brand or advertised these products under the liquor brand. Most of liquor producers entered into the packaged water segment, such as Kingfisher Mineral water. Some companies seemed to be using the ban to their advantage. McDowell's mineral water and soda brands served as surrogates for their liquor brand and also generated additional revenues for the company.

In early 2001, SWC started marketing its range of golf accessories under the liquor brand Royal Challenge. It also launched a new range of golf accessories, including graphite shafted golf sets (with lifetime warranty), golf bags, caps, and gloves. SWC also started a quarterly golf publication that which provided information on the latest happenings on golf. In late 2001, SWC announced its decision to enter the packaged water market, under its well-known beer brands Hi-Five and Lal Toofan. In 2002, it named it soda water Royal Challenge Premium Sparkling Water to leverage the company's flagship liquor brand Royal Challenge. According to industry watchers, SWC was launching Sparkling Water to use it as a surrogate for its liquor brand.

In June 2002, the Information and Broadcasting (I&B) Ministry of India ordered leading television (TV) broadcasters to ban the telecast of two surrogate ads of liquor brands, McDowell's No. 1 and Gilbey's Green Label. The Ministry also put some other brands – Smirnoff Vodka, Hayward's 5000, Royal Challenge Whiskey and Kingfisher beer – on a 'watch list.' The surrogates used by these advertisements ranged from audiocassettes, CDs and perfumes to golf accessories and mineral water.

By August 2002, the I&B Ministry had banned 12 advertisements. Leading satellite TV channels, including Zee, Sony, STAR and Aaj Tak were issued show-cause notices asking them to explain their reason for carrying surrogate liquor advertisements. The channels were asked to adhere strictly to the Cable Television Regulation Act 1995. As a result, Zee and STAR stopped telecasting the advertisements; Aaj Tak and Sony soon followed suit. In addition, the I&B Ministry hired a private monitoring agency to keep a watch on all advertisements for violations of the Act. These developments led to heated debates over the issue of surrogate advertising by liquor companies. These advertisements attracted a lot of criticism. According to an analyst, "We see a brown liquid poured into a glass under a well-known brand name, and we are told the man is drinking apple juice! The girl who is avidly watching him immediately rewards him with a kiss. In the same sort of way, water, soda and other harmless liquors stand in for hard liquor and beat the ban." Many of them accused of being sexually provocative and offensive. Though the liquor companies involved protested strongly against the I&B Ministry's decision, they had no choice, but to comply with the regulations. The restrictions on the liquor industry were viewed by many critics as attempts by the government to disassociate itself from the social evils associated with alcohol consumption. However, some critics observed that while the government imposed many restrictions on the liquor company; it also earned a significant portion of its revenues (Rs 200 billion in 2000 for the whole country) through levies on liquor sales.

The issue of surrogate advertising involved even media companies, as they had to forego substantial revenues as a result of the ban. According to broadcasters, the government should put in place a 'reasonable' policy, which somehow struck a balance between the social and monetary aspects of the business of alcohol.

Questions for Discussion:

1. 'By banning advertisements for liquor, the government is trying to disassociate itself from the social evils associated with alcohol consumption.' Critically comment on this statement in light of the ban on direct and surrogate advertisements for liquor.
2. Do you think surrogate advertisements by liquor companies were banned because of the criticism they received? Give reasons to support your answer. Also, discuss the advantages and disadvantages of using surrogate advertisements (for a liquor company in particular and also for any other type of company).
3. As a part of a team responsible for the marketing of a leading liquor brand, what measures would you suggest to overcome the limitations imposed due to the ban on surrogate advertising?

Caselet 45

With a turnover of Rs 12.3 billion and net profits of Rs 850 million for the financial year 2002-03, Dabur India Ltd. (Dabur) was one of India's leading ayurvedic and personal care products company. Dabur manufactured over 450 products, covering a wide range of health and personal care and had 8 manufacturing plants in the country and 2 overseas plants. Dabur's product portfolio was spread across hair,-oral-child care products, herbal health tonics, digestives, foods, anti-cancer medicines, veterinary products, toiletries, herbal cosmetics, confectionery and beverages.

Dabur honey was one of the major brands in the foods business for Dabur. Dabur processed around 1,000 tonnes of honey annually, and acquired its honey from farmers in the northern and eastern Indian states-wherein the honey obtained was a multifloral blend (extracted largely from mustard and natural wild flowers).

Dabur introduced branded honey in the Indian markets in the mid 1980s. Dabur was the first organized sector player to source honey in large volumes from apiculturalists (bee-hive farmers) and market it. The only other organization selling honey then was

Khadi Gramodyog, but it was merely distributing the unbranded produce from villages to the urban markets.

Dabur made a start with mass marketing of honey, and made little effort to push sales or to expand the market in the initial stages. Dabur simply leveraged the strength of its umbrella brand equity to sell the product. The brand's equity was built over time through both the buyer's familiarity with the name and its consistent delivery of quality.

During late 1980s, Dabur Honey's sales declined considerably with the entry of regional brands such as Golden Meadows, Allied's and Mehson's. In 1991, Dabur decided to release a nationwide advertisement campaign for the first time, promoting Dabur Honey on the purity platform. Though sales picked up slightly, Dabur realized that the purity based positioning just gave the existing medicine-use consumers an assurance of quality. Neither the consumer base, nor the per-family offtake of the product had increased.

In 1994, a survey conducted by Enterprise (Dabur's ad agency) revealed that the consumption of Dabur Honey was just 26 gm per household. The reason identified was that the product is perceived to have medicinal attributes, mainly therapeutic - as a cough palliative, a skin conditioner or as a base ingredient for other auyrvedic formulations. Dabur realized that its umbrella brand values - health through auyrveda - had reinforced the image of honey as a medicine. Dabur honey's brand personality was also found to be dull and traditional. Dabur then worked on the hypothesis that while health could be the chief attribute, the product's taste did own a place in the consumer's mind. Dabur sought to expand the width and depth of usage among the households by targeting the mother who was involved with her family's diet as much as its health. Enterprise brought out a three-ad print campaign to reposition Dabur honey as a tasty, nutritious health food. The agency used television commercials to put forth the product's sensory appeal, apart from demonstrating its scope of use. Magazines were used to give the housewife detailed suggestions on what honey could be eaten with. Dabur also increased the ad spend from Rs 1.5 million in 1993-94 to Rs 5 million in 1994-95. Dabur also sponsored recipe and food sections in various women's magazines.

Dabur brought out a 500 gm jar in addition to the smaller ones available. The package label was changed to include copy on food values. Simultaneously, Dabur embarked on an elaborate merchandising drive, by attractive POPs, incentive schemes for the sales force and better terms to the wholesalers.

Over the following few months, sales picked up appreciably and in mid 1995, Dabur honey's market share had reached 10%. However, by mid 1998, Dabur encountered another problem. The company found that though the product was being stocked by most households, it rarely was being used.

The advertisement account for Dabur honey was then given to Chaitra Leo Burnett. In another major change in focus, Dabur now decided to target kids directly and repositioned Dabur Honey on the fun plank. The brand was portrayed as a fun-filled, vibrant one that kids could perceive as being trendy. The new television commercials on air by end 1999 showed kids dancing to a revamped old Hindi film song 'Dil Deke Dekho Ji' with honey-on-toast in their hands. The lyrics were modified as 'Honey Khake Dekho Ji.' Unlike the earlier print campaign showing varied uses of honey focusing on the food items, the new campaign showed the same food items, but with the kids enjoying the food items being the issue in focus. The campaign, aired on Doordarshan as well as satellite channels reportedly cost Dabur Rs 30 million. Dabur also planned to make Dabur honey available in squizzy packs and give free toys/games/comics etc. to the kids. Sampling exercises were conducted in schools. The brand sales were reported to have picked up well after the campaign, though the long-term performance of the brand still remained to be seen in mid 2000.

Questions for Discussion:

1. How should Dabur go about designing a marketing strategy to make a success out of Dabur Honey?
2. As the marketing manager responsible for Dabur honey, what sales promotion tools do you use to increase the sales for a commodity product like honey?

Caselet 46

ICICI Bank is the largest private sector bank in India and the second largest bank next to State Bank of India. The bank has total assets of about Rs.112, 024 crores, a branch network of about 450, and one of the largest ATM networks consisting of 1750 ATMs across the country. It became financially stronger when it got the universal bank status. After establishing itself well in the domestic market, ICICI Bank has set its sights on international markets. It has planned a $100 million (mobilized through internal sources) investment to enter global markets. Initially it is setting up offices in seven countries. It has already set up representative offices in Dubai, New York, and is planning one in Shanghai shortly. It has recently opened up a subsidiary in London and has plans to start operations in Toronto and Bahrain. The London subsidiary is one of ICICI Bank’s key initiatives that involved a capital investment of $50 million. Speaking on the opening of the first international subsidiary of the bank, K V Kamath Managing Director and CEO, said, "Our first banking subsidiary in the UK market is a major step in our strategy for transforming ICICI Bank into a global banking organization, particularly in response to latent and rapidly emerging opportunities.”

There are various reasons for the bank’s entry into foreign markets. The Indian banking industry is becoming highly competitive. The entry of foreign banks such as ABN Amro and renewed efforts of public sector banks to become customer centric is making the banking industry highly competitive. Low industrial credit off take due to recession in the economy, prompted banks to make a retail push. Such focus led to the fall in interest rates on housing and personal loans. This has put pressure on ICICI Bank’s margins. This made ICICI Bank look for global opportunities with the approval of its board in September 2001. An International banking division was formed. Bhargava Das Gupta who had been looking after the Venture Capital Division of the Bank heads this division. Das Gupta’s first task was to decide upon the nature of the bank's global strategy. Banks entering global markets have mainly followed four kinds of strategies. One strategy is to develop the banking network within the same region. According to this strategy, the bank sets up offices in the neighboring countries like Sri Lanka, and Nepal. Another strategy is to capture the growth markets through acquisitions, similar to Standard Chartered that made acquisitions in Asia and Latin America, which are growing at a faster pace. However, such strategy can be very risky and ICICI Bank does not have the financial capability to adopt such an aggressive strategy. Another option would be to look for its key success factors or products and use it as a lever to enter the markets. For example, American Express used its travel business and credit card business as a lever to enter foreign markets. ICICI Bank does not have any such successful product or core competency. Another strategy is to what the industry calls "follow the customers." This strategy was adopted by Spanish banks to enter the Latin markets where there is a large concentration of Spanish people. ICICI Bank has decided to tap Indian customers abroad. Therefore, it is prudent for the Bank to enter markets such as Dubai and Bahrain, which have large Indian populations. With increasing trade links between China and India, China can be another market to enter. The UK and USA are a natural choice for the bank due to the large Indian presence. The Bank wants to focus on two fronts, the NRI population in these areas and Indian companies that have the presence there. Mr. Kamath says, "If the consumer banking was an attempt to reach out to the ordinary Indian, then globalization is an attempt to reach out to the global Indian."

There are some questions being raised about ICICI Bank’s entry into global markets. Some analysts feel that ICICI Bank’s early entry may not be right move. Though it has captured considerable market on the domestic front, there is still a larger market to tap. In addition, the competition is increasing in the domestic market and a not so good performance by the bank in the areas of industrial credit. Thus, analysts suggest that the Bank focus on setting its domestic business right before entering the foreign markets. Analysts cite HSBC as an example. HSBC entered the foreign markets only after it achieved a leadership position in the domestic market. Analysts question the NRI population as a dependable segment for doing business. The rise in NRI deposits in India is mainly attributed to the higher interest rates in India. With RBI trying to narrow down the gap between global rates and Indian rates, Indian banks may lose that advantage. Hence, there is a possibility of NRI's funds being moved out of the country. However, Kamath is of the view that deposits are not the only thing that NRIs are looking at. He said that Indians are more interested in investing in India and do not give much importance to foreign exchange rate risks. ICICI Bank plans to offer a wide range of services including deposits, portfolio management, and mortgages.

Some industry people point out that in the context of a depressed global economy scenario, ICICI Bank’s decision to enter the global markets is not the right one. However, Das Gupta argues that it is the right time to enter the markets as the economies are in recessionary mode and the Bank can make deals at a lower cost. Bank officials say that the real estate deal for the London subsidiary was lower than the market rate, and the lease is for six years with a two-year free period clause. Officials claim that such deals would not have happened in good times. On staff front also, the Bank is able to recruit personnel who may not have shown interest to join the organization during boom time.

ICICI Bank officials feel that any organization needs some gestation time to establish in a foreign market. A global strategy needs to be a long-term approach, particularly for financial institutions. Banks experience slower growths during the initial stages. With the depression in the global markets, ICICI Bank can set things right during the initial years and be well placed to take on the market when the economy starts recovering.

Few analysts are skeptical about the ability of the bank to manage the global risks, which is critical issue for a bank. Nevertheless, industry people who have followed the bank activities closely claim that ICICI Bank’s risk management system is one of the best in India. The risk management team directly reports to the top management thus making the system fool proof. Such a system enables the risk management team to work without bias, as they are free from supervision of individual business heads who are more concerned about growing business and often ignore the risks associated with it. The foreign branches also need to directly report to the top management thus making the system more effective.

Analysts also question ICICI Bank’s ability to build a global organization. ICICI Bank is following a different strategy from that followed by other Indian banks. Though an Indian will head the foreign branch the staff will consist of locals. They will be trained in India on ICICI Bank's culture and the organization, thus integrating the foreign personnel into the company's work culture.

Questions for Discussion:

1. Analyze ICICI Bank's decision to enter global markets.
2. “If consumer banking was an attempt to reach out to the ordinary Indian, then globalization is an attempt to reach out to the global Indian." Comment.

Caselet 47

With annual sales of Rs 53,000 crores and a net profit of Rs 1,400 crores for the fiscal year 2002-2003, Hindustan Petroleum Corporation Ltd. (HPCL) is the second-largest petroleum products company in India. HPCL has a strong presence in petroleum retailing with about 4,600 retail outlets and a 20% market share in retail petroleum products. The retail petroleum business is undergoing a drastic change. As the Indian government has dismantled APM (administered pricing mechanism) petroleum companies are able to price products in line with global trends. The government has also deregulated the petroleum retailing sector, making way for private national players like Reliance and Essar and multinational players like Shell to set up petroleum retail outlets in India. The public sector players naturally began increasing their marketing activities to cope with the impending competition. In this backdrop, HPCL has initiated various customer- centered efforts to retain and improve the company's position in the market. As a part of this initiative, the company felt that there was an urgent need to improve customer service at its retail outlets.

To begin with, the company decided to train the dealers and their staff who deal directly with customers. The company entrusted the training programs to an outside agency, Metric Consultancy Ltd, as it was not possible to accommodate the dealers and their staff at their own training institute in Pune. In the first phase, Metric was responsible for imparting soft skills to 1,500 of its 4,729 dealers, and 6,000 of their 20,000 staff. To decide upon the training needs, Shunu Sen's Quadra Advisory was contracted to identify HPCL’s needs. The field staff was sent to various HPCL outlets to observe the transactions and interact with the dealers and their men.

The agency identified that consumers needed more communication, contact and personalized service. The dealer’s men were expected to do more than just dispensing the fuel and collecting cash. They ought to be more sales-oriented and in a position to sell other value added services to customers. Metric has identified 25 such value added services, including soft drinks, oil checks and dusters, which will enhance dealer revenues. As far as dealers are concerned, Metric felt that dealers should motivate their staff and manage the outlet independently without depending on the company for little things. In other words, dealers need to lead from the front.

Based on Quadra Advisory's findings, Metric devised a training program using its "five point delivery" system. This system is based on Esso's 360 degree check.

HPCL has selected eight centers to train the dealers and 20 centers to train the dealer men. The company is using innovative ways to impart training to the personnel. In partnership with Hughes Software, HPCL organized a day-long video conference among dealers in all the centers so that they could share their experiences, thereby improving their contribution to the company.

HPCL did not look at the training program as a one-time affair. It hired a third-party agency for doing audits at each of its outlets to examine the impact of the training on the employees and to obtain feedback from them. This helped the company to improve the training program.

The training program has started to show good results. Dealers claim that they observed a marked increase in customer flow since they stepped up the quality of customer service at their outlets.

The company also conducted training for LPG distributors through its "Millennium Distributor" program. HPCL introduced various customer-oriented initiatives like refill delivery in 24 hours, seven-day service, etc. To ensure success, HPCL felt it necessary to encourage dealer involvement and cooperation in these programs. Around 1900 distributors were trained under this program to make them proactive and alive to the competitive scenario, and to re-orient them towards a customer centric approach.

Questions for Discussion:

1. Why is it necessary for a petroleum products company like HPCL to provide training to dealers and their staff?
2. Analyze the dealer training program conducted by HPCL.

Caselet 48

Nine exclusive outlets of Philips named Philips Arena, which were opened in 2001 at various locations across India, contribute nearly 4% of the company's total revenues. LG's nine exclusive outlets in Delhi constitute 35% of the total revenues that it makes in Delhi region.

Exclusive outlets as new distribution channels are catching up among consumer durable companies. This concept is widely used by players in other industries like textiles (Raymond's and Vimal), watches (Titan and HMT) and the footwear industry (Bata). Marketing products using exclusive outlets is not new for consumer durable companies either. Earlier Onida, BPL and Videocon experimented with exclusive outlets with little success. But the good results reaped by companies like Philips and LG have made other companies to take a second look at this format. Other consumer durable companies have also increased their exclusive outlets. Sony has 25 Sony World showrooms spread across 16 cities and is planning to set up 12 more outlets. These outlets are expected to contribute nearly a quarter of its total turnover in the next three years. Carrier Aircon, the air conditioner major, has several exclusive outlets named Comfort Points (112), and these outlets contribute nearly half its total revenues.

The increase in exclusive outlets of consumer durable companies also stems from the fact that the independent franchises who manage these outlets are paid higher margins. For example, LG offers 3% higher margins than what is paid to multibrand retailers, while BPL offers 2% extra incentives for dealers who manage its BPL galleries. The companies also compensate these dealers when they upgrade or revamp the showrooms. They also promote these outlets through advertisements and print campaigns. Such benefits are encouraging multi brand retailers either to open exclusive showrooms or to convert their existing showrooms into single brand outlets.

Analysts attribute the popularity of these exclusive outlets to various factors. They feel that during the early years when Onida and BPL opened these outlets, they were ahead of their times. Indian consumers at that time were looking for functional products at a lower price. They wanted to compare various models and select one that provided value-for-money. So exclusive outlets didn't work. Another reason for their failure then was the consumer perception about their brands. Consumers perceived Onida and BPL as TV brands and Singer as a sewing machine brand even though these companies had products in other segments like refrigerators, washing machines and rice cookers. Such a perception made the consumer think that the exclusive outlets offered limited choice. But now, LG and Sony have positioned themselves as consumer durable brands rather than single product companies, thus enabling them to display a wide range of products. This has attracted consumers to these showrooms. Another key reason for these companies opening exclusive showrooms is that they realize that the multi-brand showroom retailers are more concerned about profit margins. To stay profitable, a retailer has to either sell high-end products where margins are high or low-end products which give profits on account of high volumes. However, the retailer doesn't have proper space or personnel to display high-end products like the Plasma TV, high-end refrigerators and home theater systems. Sales personnel at these outlets too are not properly trained on how to sell such products. Thus the companies lose customers interested in purchasing such products, who look for proper demonstration and a certain kind of ambience while making such purchases. Exclusive outlets with a good ambience and trained salespersons, can attract such high-end customers. This is more for products like air conditioners, where a lot of deliberation takes place before purchase on matters like tonnage, room size, etc.

However, opening such outlets could hurt the interests of multi-brand store dealers as they cut into the sales of these stores. This does not augur well for any company. Dissatisfied dealers may stop selling the company's products. To overcome such channel conflicts, companies are taking care to see that these showrooms are not near the dealer outlets. Companies also claim that they are taking care to see that the number of showrooms opened in each region or market is limited so as to avoid concentration of the outlets in a single region. These outlets are also treated like multi-brand outlets for replenishment of stock and after sales service.

Questions for Discussion:

1. What were the reasons for the failure of exclusive outlets during the 1990's?
2. What are the reasons that have helped exclusive outlets make a comeback though they were a failure in the 1990's?
3. Discuss the pros and cons of single brand outlets.

Caselet 49

With increasing competition, retailers have to find ways to retain existing customers while trying to woo new customers at the same time. One way to retain customers is to offer incentives for repeat buyers. This is done by offering card-based frequent-shopper programs. For example, Piramyd, the Piramal group's retail arm, which has outlets in Mumbai and Pune, offers the Piramyd Power Club (PCC) membership card for loyal customers. The card offers discounts, previews, special offers and a host of other benefits to keep shoppers happy. Other retailers have similar schemes. Shopper's Stop offers the First Citizen's Club (FCC), Westside has Club West, the Mumbai-based departmental store, Akbarally's, gives its loyal customers the Valyou card, and Ebony in Delhi offer its customers, membership to the Ebony Elite club. These cards have become synonymous with customer relationship management and with building customer loyalty. The cards have a dual purpose. They increase customer loyalty while helping the retailer track buying preferences based on shopper demographics--information that can find its way into targeted marketing programs. For example, if a shopper buys a particular type of apparel regularly, then the stores can have a special offer on that apparel. Apart from that, retailers can track buyers' habits and understand them better.

Shoppers's Stop started the loyalty card program in 1996 and has enrolled 1.7 lakh customers since then. Piramyd in less than a year of operations, has lapped up 35,000 memberships. These cards come in different categories. For example, Shopper's Stop has categorized its FCC cards at three levels—gold, silver, and classic cards. Similarly, Piramyd offers two types of memberships—gold and silver. Members are awarded points for each purchase they make and these points can be redeemed against various offers. The retailers also offer other value added services. Shopper's Stop sends out birthday greetings and anniversary greetings to members. The greetings include special offers for that particular occasion. The store management sends "we missed you" messages to those who had not visited the shop for a long time, thereby increasing brand recall. Shopper's Stop also has exclusive counters for its FCC members. Westside gives complimentary coffee or soft drinks when members visit the stores. As a member of the Tata group, they have a tie-up with the Taj group of hotels and Lakme and benefits are extended to customers at the outlets of these partners.

Other strategies that retailers follow to retain customers include running monthly sweepstakes, providing services such as alterations, parking facilities and free home delivery. Retailers hope these steps will go a long way towards building customer relations, thereby developing customer loyalty towards their stores. The retailers are also trying to broaden their services. For example, Ebony is offering a credit card co-branded with CitiBank to its Elite Club members. Shopper's Stop has tied up with HSBC.

The loyalty programs have paid off well for the companies. At Shopper's Stop for example, FCC members constitute around 15 percent of the total walk-ins in the stores. They also contribute around 55 percent of the company's total sales. PCC members contribute 30 to 40 percent of Piramyd's revenues.

Questions for Discussion:

1. List out the pros and cons of the loyalty card programs.
2. What are the ways through which a company can obtain the maximum benefits from the loyalty card programs?

Caselet 50

Ranbaxy is a leading pharmaceutical company in India. It is also one of the few Indian multinational companies whose operations spread across 60 countries. Nearly 70% of its total revenues come from its global operations. The business model of the company is quite different from other Indian multinationals. Companies like Reliance, Sundaram Fasteners, Hero cycles, and Amara Raja Batteries use the 'economies of scale' advantage achieved in the domestic market to export goods manufactured at their Indian plants. However, Ranbaxy has plants and operations in the countries where it has a presence, representing a true multinational company.

For Ranbaxy the process of becoming a global company started in early 1990's when the domestic market started showing signs of stagnation. Dr. Parvinder Singh, the Chairman of the company at that time, conceptualized the company's global strategy in consultation with management experts and consultancies. Mr. D.S Brar, Managing Director of the company, to who Ranbaxy's successful performance was largely attributed, carried the strategy forward.

The global strategy of Ranbaxy has notable features. Local mangers and personnel largely run the operations. The company's top management constitutes a good percentage of expatriates. The share of other countries in the total revenues of the company are increasing, thus, reducing its dependence on Indian markets. Though the Indian and US markets constitute nearly 65% of the company revenues, the contribution from markets such as East Europe, Russia, and Brazil on the rise.

Ranbaxy has adopted a multi-pronged strategy to make its global strategy a success. Ranbaxy is focusing on identifying global opportunities and turning them to its advantage. Brar is considered by analysts to be a visionary for identifying such opportunities. Ranbaxy has mastered the art of identifying drugs that are going 'off-patent' and capturing the market for these drugs. It gave special attention to its operations in the USA, one of the biggest markets for pharmaceuticals products. At present Ranbaxy is the seventh largest generic drug company in the USA.

To show how adept Ranbaxy is at identifying and building a market for generic drugs, analysts cite the example of Cephalexin. Ranbaxy has bore losses to the tune of $ 2.5 million in marketing a generic Cephalexin drug (sourced from Eli Lilly) under Ranbaxy's brand name. Its own version of that drug was waiting for approval from the US Food and Drug Administration (US FDA). Sensing the market opportunity for the drug (Cephalexin is the second most prescribed anti-infective agent in the US), Ranbaxy continued to bear the losses and focused on building a brand. The strategy proved right for the company, when its own formulation got approval from US FDA. Ranbaxy was able sell its own formulation under the well-established brand name. Currently the drug contributes $ 25 million with 5% profit margins to the company.

Ranbaxy is also focusing on Japan, the second largest drug market, valued at $ 57 billion. The generic market in Japan grows at 5% annually. Ranbaxy has a 10% stake in a Japanese drug company, Nihon Pharma Industries, to capture a larger share of the growing Japanese market. Analysts say that the only other generic player in the Japanese market, other than Ranbaxy, is E. Merck.

Analysts claim that the generic market constitutes 10% of the total global drug market of $ 400 billion and that this is growing at the rate of 12%-14%. Various favorable factors aid the growth of the generic market. Rising medical costs and an increase in the number of senior citizens is forcing governments of developed economies to allow generic drugs into their markets. The US Senate has passed a law called the *Greater Access to Affordable Pharmaceuticals Act* that provides a more favorable environment for generic drug producers. Japan is also contemplating the passing of a similar legislation that will enable generic drugs to enter the market more quickly. By the year 2007 the generic market will get a big boost when drugs worth $ 50-60 billion go 'off-patent'. These drugs include drugs such as Zocor, Norvasc and Zoloft which are together valued at $ 12 billion.

Ranbaxy is also focusing on the prescription drug market where the company sells its own research branded drugs (New Chemical Entities- NCE). This market appears promising due to the changed focus of the big pharma companies in the drug discovery process. The consolidation in the pharma market has increased competition. This is forcing the big companies to focus on capturing larger market shares. These companies are focusing their R&D efforts on developing blockbuster drugs (with a market potential about $1 billion and above) that provide a larger market share. Increased R&D costs are another reason these companies are concentrating less on drugs that have a smaller market size. Ranbaxy has adopted the strategy of filling the gap in the NCE market by focusing on drugs that have smaller markets. Rashmi. Barbhaiya, President (R&D) at Ranbaxy says, "In other words, today there are lots of disease categories available, say, in the $100million-500 million range, which would be far below the radar of big pharmas because the potential there isn't so high. But it makes perfect sense for me to play there."

The company has increased its spend on R&D from the earlier 4.2% to 6% in 2003. The present R&D staff strength is 100 and the company plans to increase this number to 195 by the end of 2003. In order to speed up the drug discovery process, the company is focusing on areas such as infections, metabolic disorders, urology, inflammations and respiratory diseases where less time and effort is required for developing.

Another key success factor for Ranbaxy has been its ability to gain synergy from its operations spread across the globe. The company uses its operations in one region for serving the markets in other regions. For example, antibiotics manufactured in the USA are being sold in similar markets such as Europe and painkillers manufactured in Ireland are sold in the ASEAN region.

Though Ranbaxy has been successful in entering the global markets, sustaining growth and competing with global majors like GlaxoSmithkline and Pfizer can be a challenging task. The change in the patent regime in India in 2005 might result in consolidation and churning in the domestic market. This may not be beneficial for Ranbaxy as most of the products in the domestic market are developed keeping the old patent regime rules in view. This may hamper the company's global plans. Another key issue is the cash requirement to continue R&D efforts. R&D requires huge investment and continued monetary support and this might put Ranbaxy's financial position under stress.

Questions for Discussion:

1. What are the various factors that encouraged Ranbaxy to venture into the global market? Do you think it is a multinational company?

2. What are the salient features of Ranbaxy's marketing strategies that enabled it to capture the global market?

Part B: Caselets (Suggested Answers)

Every caselet will have more than one possible solution. The guidelines are intended to help students develop their abilities to analyze business situations and develop feasible solutions.

Part B: Caselets (Suggested Answers)

Caselet 1

1. The company wants to use the launch of Aquila as an image building event. Using this launch, the company hopes to change the perception of customers of Kinetic as a scooter company. Kinetic wants to become a serious player in the motorcycle segment. Thus, the company is offering the bike at a break-even price even though market potential for the bike is high. It is offering the bike only in select cities. The company is choosy about its customers and is releasing the bikes only to customers who not only have the ability to pay Rs. 1.5 lakh upfront but also possess good knowledge about bikes and are passionate about them. The idea behind such selectivity is to influence consumer behavior.

Reference groups such as family, friends, neighbors etc. influence a consumer's buying decision. Manufacturers whose products have strong reference group influence need to identify the opinion leader of the group and influence him. An opinion leader is one who gives advice and influences the consumer in making a purchase. He gives information on which product to buy, which is the best brand, how to use the product etc. A two-wheeler buyer is often influenced by reference groups like friends and neighbors. So, by targeting the opinion leaders such as bike enthusiasts, the company can use these initial customers as brand ambassadors for their products. Thus, if the bike is well received by the opinion leaders, they themselves change their perception about the company and its products and in turn may advise or influence other consumers to buy Kinetic bikes.

2. Stand I: Being a high-end bike, with a price tag of Rs. 1.5 lakh, the number of customers could be limited and scattered across the country. Since this is the first time that a bike is being introduced in this segment, the company may not have an exact idea of the market potential for the bike. Direct marketing is an effective and cost-efficient way to reach the target segment. With direct marketing, the company may assess the accurate demand and promote the product in a more cost- effective way using an appropriate promotional mix. Through the use of website, direct mailers and displays in select showrooms, the company was able to estimate the demand for the product and based on the response, it stepped up supply.

The company wants to carefully build the brand so that it will also help to transform the company's image. The company has created awareness among customers through media conferences, direct mailers and online promotion. By providing bikes only to select customers, the company wants to sustain the brand through word-of-mouth publicity, which is important for high end bikes like Aquila.

Stand II: With the motorcycle segment growing at a fast rate and the market becoming a mass market, Kinetic's decision to follow a limited direct marketing strategy was not the right one. With rising income levels and consumers willing to spend on lifestyle products, the market for high-end bikes like Aquila is large. The sales of Eliminator and Enfield reflect the market potential for such bikes. Thus, by limiting sales to a few cities and being choosy about its customers, the company is losing out on the opportunity to tap the full potential of the market.

With new models being launched every month, the company may not be able to achieve sustained growth with such limited marketing. With big players like Hero Honda and Bajaj planning to launch bikes in the 200 cc segment, Kinetic may be at the risk of losing the first mover advantage.

It needs to go for heavy promotion and extensive distribution to get higher brand recall and a larger market share.

Caselet 2

1. While selecting a target segment, a company has to evaluate the following factors:

Size of target market: The company needs to evaluate the size of the target segment and the sales generated from it. Size can be in terms of volume or revenue. While a manufacturer of mass market products looks for volumes that are generated from the segment, a premium product manufacturer is interested in the revenues that the company can obtain from the segment. The Indian community in the US, is the third largest after the Chinese and Filipinos with a population of 1.7 million. Thus, through target marketing activities at customers of Indian origin, the company can capture a large market share of this segment.

Growth of the market: Growth rate is another criterion that a company has to evaluate while choosing a target segment. It is logical for a company to choose a segment which has a high growth rate. The company should also evaluate the future status of this segment.

The Indian community is the fastest growing ethnic community in the USA after the Chinese and Filipinos. With the technology boom and the US government increasing the H1B visa quota, the number of Indians in the US has doubled during the period of 1990-2000. Even though there is now a slump in the technology sector, Indians are in great demand in other areas such as medicine and academics. The number of Indian students in US universities is also increasing steadily. There is a every chance that a large portion of these students will settle in the USA.

Profitability: As a business concern, the company needs to also look at the profitability aspect. The company has to assess the profitability of the target segment. The company should not only evaluate the revenues that it receives, but also the costs associated with marketing and establishing the brand in that segment. The Indian community's average annual income at $67,000 is well above the income of the average American ($45,000 p.a.). This high income level implies higher spending power and provides ample opportunities for the financial companies to exploit.

Firm's ability to serve the target segment: Apart from analyzing the growth and profitability aspects of the target segment, the company should also analyze whether it can serve the customers of that segment effectively. Is the target segment the right match for its products or services? Does the company have the resources and capability required to deal with the segment? Being a highly educated community, US Indians understand financial issues, and this makes it easy for financial services companies to sell their products to the community. The needs of the Indians also match with the services offered by these three companies. Being an affluent community the need for wealth management services is high. With 200,000 millionaires in the community, this segment becomes even more lucrative for Merrill Lynch. As Indians maintain strong ties with their family and relatives in India, it is a perfect match for Western Union to sell its money transfer services to US Indians. As Indians are family-oriented and concerned about the well-being of their children and other family members, it is the perfect segment for a company like MetLife, which offers insurance services.

2. Companies follow the niche marketing strategy. A niche market is a narrowly defined group whose needs are not well-served. The characteristics of this market are that the consumers have a distinct set of needs and are willing to pay a premium for products or services that satisfy these needs. The Indian community in the US is a niche whose needs are not properly addressed by the mainstream companies, who treat them as normal customers. In order to capture this market, companies must understand their needs and buying behavior and develop targeted marketing strategies. As the three companies Merrill, Western Union, and MetLife are financial service providers, they have to gain the customer's trust and run targeted promotional campaigns so that consumers are aware of their products.

In order to market financial services, companies must build a relationship with customers to gain their trust. For this reason, the three companies have recruited sales staff who are either of South Asian origin or possess good knowledge about the community so that their needs are well understood. Moreover, consumers are comfortable doing business with people who are familiar with their culture and language. It is also easier for the company to build relationships with consumers. In order to enhance their image and trust among consumers, companies have tied up with associations belonging to the community and sponsored events relating to the Indian community. Merrill lynch has associated itself with TIE and the American Association of Physicians of Indian Origin. Western Union sponsored the Heritage India Festival held in May 2003. Aware of the fact that Indian consumers are concerned about their children's future, MetLife started conducting annual essay contests for school children and offered scholarships worth $ 250,000 to the winners. Companies also ran marketing campaigns to reach the Indian community. Advertisements used "Hinglish' words so that customers could relate with the company. Companies advertised in magazines such as India Abroad, News India Times and Silicon India for effective promotion of their services.

3. Indian consumers are concerned about the well-being of their children and their future. Companies can launch children specific instruments such as health-related financial instruments and college-oriented financial instruments.

Indian consumers maintain close ties with their families and relatives in India. Apart from a money transfer service, companies can offer financial advisory and bill payment services to consumers whose aged parents are not able to look after such matters in India. With the advent of the Internet, it has become easy for companies to offer these services through online bill payment and account management services. These services can be utilized by the US Indians on behalf of their parents living in India.

With a steady rise in the number of Indians studying in the US, companies can also offer various financial services to the student community.

Since US Indians also want to maintain assets in India, companies can offer investment advisory services. They can suggest the right investment opportunities either in the Indian stock markets, mutual funds, or real estate or debt market.

Caselet 3

1. Since Commerce Bank is involved in the financial services business, it is very difficult to make the customer ‘feel’ the quality of service provided to them. Product features, price, location, personnel, symbols and branch environment etc. are some of the tangible elements customers look for to assess service quality.

Commerce Bank has adopted a unique retail strategy to provide a tangible retail experience to its customers. These are some of the tools used by Commerce bank to "tangiblize" its services:

Premises: All branches have a similar architecture, ambience and style. Every branch has a white-brick exterior capped with a black metal roof, floor-to-ceiling glass windows. Paintings and wall hangings inside the branches depict historic events and people. The physical appearance of the branch is designed to project a particular image to the customers. For example, the steel exteriors create an image of strength, while the extensive use of glass projects a contemporary image. The concrete structure projects an image of a low cost operation and a brick structure creates an up scale image. Thus, the building design and appearance used by Commerce Bank projects an image of a strong organization with contemporary views.

Personnel: The Bank has recruited well-trained personnel to provide high quality customer service. Staff greets customers at the entrance. They provide snacks and reading material to the customers when the queues are long. On rainy days, the staff escorts customers from their cars to the branch with umbrellas. Thus, employees are perceived as customer care representatives rather than bank personnel.

Service: The Bank has installed 'penny arcades' that provide dollar bills in exchange for coins. Unlike its competitors who charge for this service, Commerce Bank's customers use the machines free.

Communication material: The Bank has created three mascots to create excitement in the branches and build good rapport with the customers. It has created Mister C that is designed in the shape of the letter C and colored red. Buzz is a human bee that creates a buzz inside the branches. Doctor Wow, a mysterious, faceless mascot, takes feedback from customers and employees regarding the customer service in the branches. Commerce Bank also conducts special fun-filled events for customers, which it calls "retailtainment".

2. Commerce Bank has taken various steps to maintain and improve the service quality. As personnel are the key asset for a services company, Commerce Bank has taken special interest in recruiting and training its personnel. The Bank has set up Commerce University on similar lines to McDonalds' Hamburger University. Newly recruited employees undergo a one day training course called 'Traditions' that informs them about the company' history and its "wow" culture. The new employees are required to undergo 150 hours of training spread across a 1-2 year period. Employees are also trained periodically. Currently the university runs 1700 courses and 15000 employees undergo training every year.

The Bank also motivates its employees to perform better. Employees are formed into "wow teams" similar to Nordstrom's "Nordies". Weekly events called 'Red Fridays' are conducted, where employees come to the office wearing their favorite red business clothes. This creates a sense of belonging. "Wow" awards are given to the branch that "out-wows" other branches, thus creating a healthy competition between the branches. Such efforts have improved the productivity of the bank.

A company has also to streamline and standardize its processes to provide consistent service to the customers. Commerce Bank has taken various steps in this regard. In order to make transactions faster, the keystrokes to be entered by tellers have been reduced. Customer signatures are scanned and fed into the computer system. When teller processes a check, the signature of the customer is displayed instantly and s/he can complete the transaction faster. The Bank has set up the "kill stupid rules program" by which it encourages employees to identify rules that annoy or disturb customers and suggest alternative rules. The Bank rewards employees for this and it has helped to improve the processes and find better alternatives.

A company should constantly monitor its service performance in order to maintain service quality. For this the Bank use 'mystery shoppers' who periodically rate the branch in terms of the service provided. The Bank also gets feedback from customers and employees through Doctor Wow. Using the information collected, Commerce Bank constantly strives to improve service quality and maintain uniform service levels across all its branches.

Caselet 4

1. Branding can help KVIC in many ways. KVIC had been selling various household products including soaps, pickles, honey and agarbattis through its own outlets without much marketing. As these products were available exclusively in KVIC outlets, customer awareness about the products was very low. Since most consumers recognize products by their brand, KVIC can create greater awareness about its products by bringing them under a single umbrella brand. Branding can enable the customers to perceive the products as high quality products. By developing a different brand for marketing these FMCG products, KVIC can get over the negative perception associated with the KVIC brand. Branding can also help the company to charge a premium for its products, as these products will create a pull for themselves in the market. If KVIC succeeds in building a successful brand, it can leverage the brand name to launch many other quality village industry products.

2. Customers had low awareness about KVIC's products and so it decided to market its products under a single umbrella brand name "Sarvodaya". By branding its products, KVIC plans to compete effectively with other consumer products in the market.

Consumers were of the view that village industry products are of low quality. KVIC has taken various steps to change this perception and to maintain quality. KVIC has formulated quality norms that need to be followed by local manufacturing units. These norms are in line with ISI and Agmark standards. To look after quality, commission has constituted the Sarvodaya Quality Circle (SQC) headed by the deputy CEO of the Village Industries division, J.L Choudhry, with representatives from the Bureau of Indian Standards (BIS) and KVIC's Science and Technology division. SQC was made responsible for quality upgradation and administration. SQC has set its own standards for the products such as agarbattis which had no quality standards to compare with. Products are now distributed through other retail outlets to make them available to the mass market. The quality standards adopted by KVIC has convinced the retailers to carry the village industry products alongside the branded products marketed by FMCG giants.

3. With concern for environment on the rise, customers are more attracted towards eco-friendly products. Thus, KVIC can promote its products as eco-friendly products. The commission can also highlight their social cause. It can make the customers aware about how these products are produced and in what way their purchases can benefit the rural people.

Since package design plays a key role in influencing the perceived quality of the products, KVIC should also concentrate on improving the packaging of the products. An attractive product package design can help Sarvodaya stand out.

With heavy competition in the consumer goods market, KVIC should implement attractive trade promotions schemes to encourage the intermediaries to sell Sarvodaya products to the consumer.

Caselet 5

1. The company focused more on targeting individual buyers (replacement market) than the OEM market where it already supplies batteries for industrial use. There are various reasons for this decision.

Exide is the market leader in the automotive battery segment with around 90% share in the OEM segment. In the replacement segment, unorganized players dominate the market. Therefore ARBL chose to enter the replacement market where Exide has 25% market share and the organized players are very few. It is easier to capture this market through better product positioning and promotion.

There are better price realizations in the replacement market due to fragmented nature of the market and pricing power. In the OEM market pricing depends on the strength and demand of the manufacturers. Since automotive manufacturers buy in bulk they demand a low price from battery manufacturers. In the replacement market, individual customers do not have such bargaining power.

ARBL wants to use the replacement market as a stepping stone to enter the OEM market. By establishing credibility in the replacement market through customer acceptance, the company would be in a better position to convince manufacturers about its product capability.

2. The automotive battery industry is dominated by Exide. The brand equity is also high for Exide due to its presence in the market for a long time. In order to succeed in the market, the company needs to build a strong brand to differentiate itself from the market leader, Exide.

Amaraja is entering the automotive battery market through the replacement segment, where sales depend upon on end-consumer needs and preferences. The consumer usually replaces the battery only when the car breaks down or he faces trouble with the battery. Most of the time, the choice of battery is left to the mechanics at the service station. Thus, for such low-end customer involvement products, the company had to design strategies to develop customer preference, and only a brand with high recall will succeed. Exide rates high in terms of brand awareness due to its long time presence in a market that has few players. Thus, it is imperative for Amaraja to brand its battery in order to top the preference list of consumers.

Caselet 6

1. Liquid coffee retailing gained popularity due to three key environmental factors.

Changes in demographic environment: Post-liberalization consumers like to spend time outside the home. They are influenced by western culture and want to imitate their style of living.

Changes in economic environment: With urbanization and a booming economy, income levels of consumers are on the rise. As a result, spending levels have increased and customers are spending not just on functional needs but on lifestyle needs as well.

Changes in consumer behavior: Youth is emerging as a key segment for companies. With parents providing generous pocket money and peer group influence, their buying behavior is changing. Today's youth want to be independent and are looking for variety. Such variety-seeking behavior is responsible for the popularity of coffee parlors.

2. Coffee bars offer many advantages to marketers. They attract specific segments of the market, such as consumers from an affluent society, teenagers, and high income group professionals who have been to western countries or who follow a Western lifestyle. Such a mix of customer base would be the perfect target audience for many companies dealing in lifestyle products.

Marketers can also go for location-specific marketing. For example, a coffee bar located in an area populated by colleges would be the perfect place for a company to run promotions targeting the student community. A coffee bar located in a busy shopping center would reach out to a wider variety of customers.

Since consumers spend considerable time at these outlets, marketers have an opportunity to capture their attention. Moreover, customers come to coffee bars to relax or to spend time with friends and colleagues, and in these surroundings they are likely to be more receptive to promotions.

3. A significant number of consumers who come to coffee bar chains are loyal customers. By conducting in-store promos, or fun activities on special occasions like Valentine's Day, New Year, and Christmas etc., these chains can generate interest among customers. This may also attract new customers.

Running promos can also open up another revenue stream for these chains. By leasing or selling its space, such as coffee tables, walls, etc., the company can obtain a steady stream of income.

Caselet 7

1. Using celebrities has become an integral part of marketing communication strategy. Celebrities are used for the following reasons:

- Celebrity advertisements and promotions attract immediate attention.
- The brand can ride on the popularity of the celebrity.
- Celebrities lend a certain amount of credibility to the claims the company makes about its products.

However, some analysts say that since people know that the celebrities are being paid a lot of money for endorsements, most of them are rather cynical about celebrity endorsements. In fact, there have been instances of people being annoyed about celebrities endorsing products. The Indian cricket players have at times been known more for the products they endorse than for their talent.

As far as India is concerned, the importance of celebrity endorsement is evident from the fact that a majority of advertisements feature celebrities from movies and sports. Some of the most successful campaigns are those that have featured celebrities. Pepsi, Coke, ICICI, Fiat, Visa, Britannia, Dabur and HLL are just a few of the companies which have included film stars and sports personalities in their advertisements. The Indian consumer is believed to hold celebrities in great regard, and this is the reason for the large number of such advertisements.

2. The company can take the following steps to make the celebrity endorsement a success.

- The company should select a celebrity who can fit into the product or the company image and not choose the celebrity and then try to fit him into the product endorsement.
- The company should evaluate the celebrity's association with other brands. If the celebrity is associated with a number of brands, that may dilute his image due to overexposure. This will not help the company. The Company should check whether the celebrity is promoting competitor brands or brands in the category of products that the company is selling.
- Generally in promos, the celebrity hogs the limelight and the brand recedes into the background. Such ads will not help in connecting the brand with customers. The celebrity needs to be an integral part of the promos so that he can communicate the brand or product features to the customers. A good example is the Hyundai Santro advertisement. Care was taken to keep the brand visible and central to the ad's theme and Shahrukh Khan was shown as an ordinary character.

Caselet 8

1. The middle class segment is growing and the rural market also looks promising. With the domestic LPG market set to grow, competition is also increasing. The opening up of the LPG market and the entry of private players may affect the market share of HPCL. The price advantage to the public sector companies from government subsidies on LPG, slowly decrease as government is reducing the subsidy. As a result LPG is becoming a commodity business where the product provided is the same. Therefore, in order to differentiate its service from that of the competition, HPCL needs to improve its customer service.

Another reason for improving customer service is the increasing expectations and change in preferences of customers. Earlier, due to lack of choice, consumers stuck to one company even though they were not satisfied with the service. Now with the availability of more service providers, consumers are able to switch companies if they want. Due to changes in the economic and social environment, consumer expectations have increased. They are now looking at convenient and quality service from the LPG providers. They expect the companies to provide easy booking, timely and convenient delivery and prompt customer complaint redressal. HPCL wants to retain and improve its market share through fulfilling expectations of its customers.

2. There are various ways in which a company can measure and monitor customer satisfaction. The following are some of the common techniques.

Complaint and suggestion systems: Companies provide convenient way for customers to give their suggestions and register their complaints. At physical outlets, customers are provided with feedback forms. Companies also use other modes such as establishing toll free telephone lines and providing feedback forms on their website.

Ghost Shopping: In this technique, companies hire some personnel to act as consumers. They shop either at the company's own outlet or at a competitor's outlet to identify the strengths and weaknesses in the area of customer service. These ghost shoppers or mystery shoppers, analyze how the customer service personnel respond to various situations. Sometimes, their own personnel, especially managers go out and survey the stores to get firsthand information. They also make calls to the call center to gauge the response of its staff.

Lost customer survey: In this technique, companies try to contact customers who have switched over to competitors to find out why they moved to other companies and stopped buying from them. Such interaction provides the company with good insights about the gaps in their customer service and about the expectations of customers which have not been addressed.

Caselet 9

1. The urban market is stagnating and competition increasing with a number of national and multinational companies targeting this segment. This put pressure on the margins and sales for Philips, and prompted the company to explore other growth opportunities. The company identified the rural market as a growth opportunity. The rural market is growing at a fast rate. The share of the rural market in the overall consumer durable sales has risen from 25% in 1997-98 to 36% in 2001-02, and is expected to go up to 41% by 2006-07. With a growing rural economy, the income levels of rural consumers are increasing. With media explosion, rural consumers are now better aware about products and are willing to spend on entertainment related items.

Another reason for the company increasing its focus on the rural market is the fact that the smaller players in this market are offering stiff competition to Philips. Regional players like Oscar, Beltek and Texla are capturing the rural market through high price cuts and good distribution reach. Philips, therefore, wants to strengthen its market presence by preventing the smaller players from increasing their share.

2. Philips has recognized that rural customers are now more inclined than ever before, to buy electronic goods like TVs and radios. However, Philips felt it would be difficult to compete with the small players using the marketing mix it adopts in the urban markets. This was because the needs of the rural customers are different from those of the urban customers. Apart from the varying needs, the factors influencing the rural customers were also different. A majority of the rural customers wanted basic functional products that are affordable and available in the local stores. The marketing mix variables adopted by Philips for the rural markets are discussed below.

Product: The company has designed products to suit the rural conditions. In the absence of proper infrastructure, the cable signal is often weak. As most of the rural consumers are from the economically backward-class segment, they are concerned about the price of the product. Keeping these factors in view, Philips has developed a low-priced television with certain unique features. The television model has "hi-fi" technology which improves the picture when the cable signal is weak. It consumes less electricity and hence, the running cost is low. The display is designed in the regional language thereby making it easy for consumers to operate the television. The company also designed an innovative free power radio which requires no external power supply such as batteries or electricity. Instead, it works by rotating the lever present in the radio set. A minute's winding and the radio runs for half an hour. It is estimated that, on an average, consumers spend Rs.1000-2000 on batteries annually. With this product, they can save the costs incurred on buying batteries. The company also launched a low-priced VCD player.

Price: The prices set by the company for these products are affordable by the rural consumers. Television sets start at Rs 8,000 and the VCD player costs Rs. 4,000. The free power radio is priced at Rs 995. Though the price of the radio is high, it will be cost-effective in the long-run as the consumers do not require to buy batteries which will result in an annual saving of Rs 1000-2000. Thus, the consumer can recover the cost of the radio in just a year.

Place: A good distribution set up is necessary for a company to successfully market products in the rural areas. While the company already has a good reach in the rural markets, to strengthen its distribution system Philips undertook a product mapping study of 540 districts to identify which product sells in which market. This enabled the company to provide the right products to the customers at the right time. To improve sales the company adopted the key account management approach where the company identifies retailers who contribute major sales volumes to the company. The company then provides necessary financial and strategic support to them in order to improve relations and encourage them to achieve even better results.

Promotion: On the promotion front, the company not only used the traditional media channels but adopted other activities like organizing road-shows, using mobile vans to display the products in villages, and advertising on the back of postcards which are a popular medium of communication in the rural areas.

Caselet 10

1. a) Change in positioning: 'Frooti' originally had been positioned for kids. However, taking into consideration the changing dynamics of the segment, the huge potential of the youth segment and the stagnating sales of the brand, Parle Agro decided to target the youth. To reflect the change in the target segment, Parle Agro projected Frooti as a product that is 'fun, trendy and modern.' It attempted to position the brand as a youth drink that was a better option than fruit drinks and other beverages.

b) Change in packaging: As a part of its re-launch strategy, Parle Agro also changed the packaging of 'Frooti.' Though the green and orange colors remained, new 'splash' graphics were introduced. Instead of an aperture for a straw, a flip top was introduced.

c) Change in the tagline: The tagline was changed from 'Juice up your life' and 'Fresh and juicy' to 'Just like that.'

d) Teaser campaign: Having decided on its new positioning targeting the youth, Parle Agro launched a teaser campaign aimed at evoking public interest by creating a hype over a fictional person 'Digen Verma.'

2. With 'Frooti' sales flattening, Parle Agro decided to reposition it as a youth drink. To communicate the new positioning, it needed a campaign that would revolve around someone the youth could relate to. Over the years, film stars and cricketers had served as models for this segment. However, most of its competitors used film stars to endorse their products and Parle Agro did not want to appear to be a 'me-too' using other celebrity. With its budgetary and other constraints, it would have been difficult for it to compete on the same platform.

Parle therefore, chose a true to life, down-to-earth person, whom the youth could easily identify with. The name of the ambassador was so chosen that it was somewhat unusual yet had a familiar ring to it. The overall objective was to create a character that could link the brand to its promise.

Having chosen the personality, a teaser campaign was launched that helped generate a great amount of public interest. The idea of the teaser campaign was to initially create a hype over the mysterious personality, concealing his association with the brand 'Frooti.' By creating a hype, a great deal of interest was sought to be generated among people who would be very keen on knowing, who the person was. This, the company felt, would build a sort of celebrity status for the 'personality', which could effectively counter the 'pull' effect of high-profile celebrity endorsements used by its competitors.

As regards the effectiveness of the campaign, there may be two opinions. They are:

Opinion I – The campaign will be effective:

The aim of any promotional campaign is to create a 'pull' in the minds of the customer towards trying the product. The 'Digen Verma' campaign seems to have been successful in gaining the attention of consumers. This could eventually motivate them to try the product. Considering the budgetary constraints under which this campaign was launched, it may be said to have been successful. Also, by choosing a true to life person to represent the brand, the desired objective of the re-launch i.e., positioning it for youth may also be well served. The campaign has also been successful in building a strong personality associated with Frooti in the minds of the customer, which could help negate the 'pull' created by celebrity endorsements by competitors.

Opinion II - The campaign will not be effective:

Although the campaign may have been successful in generating public interest, such interest may not translate into sales for the following reasons:

a) With all the hype over 'Digen Verma', there was a danger that the personality may overshadow the brand 'Frooti'.

b) The link between brand personality and brand promise was not clear enough.

c) The campaign did not focus on the core values of the brand 'Frooti.' This is essential, as it is important to communicate to the customers what the brand stands for. Because of this, "Frooti' may not be giving consumers the reasons why they should choose 'Frooti' instead of, say, Pepsi or Tropicana.

3. The success of a brand is dependent on many factors besides promotional campaigns. The product itself is a crucial factor— does it meet its functional capability and how does it compare with what is offered by its competitors in the same category? The pricing strategy could also make or mar a brand — in fact, many brands have been unsuccessful because of incorrect pricing, rather than poor advertising. Finally, there is the role played by distribution. After all, if a product is not easily available to a potential consumer, then not even the very best promotional campaign can result in a sale.

Ultimately, a promotional campaign is not a substitute for advertising, nor is it a substitute for brand building. It should be clearly understood that a promotional campaign is just a device which helps grab the attention of consumers. It is just a means toward an end, not an end in itself.

Caselet 11

1. Mobile advertising offers various benefits to advertisers. The mobile phone population is increasing manifold every quarter. Currently, with a base of 17 million users, it offers larger market coverage for companies. And the major constituents are middle class and upper-middle class segments. These segments have higher buying power, which is beneficial for the companies. Mobile advertising can also be used as a direct marketing tool as the marketers can interact with the users on a one-to-one basis. And companies even get instant results, thus increasing effectiveness of the promotion campaign.

Mobile advertising is also easier to execute, because of better technologies that enable the companies to launch nationwide campaigns within a short period of time. These campaigns are cost effective as a marketer can launch a nationwide promotional campaign with a meager investment of Rs. 1.5 lakh.

2. Companies can use mobile advertising for various purposes such as increasing brand awareness among consumers about their products. They can generate interest among customers about the launch of their new products. SMS can be used for teaser campaigns, and for providing details about the products. This enables the companies to create an interest among customers about the products.

Companies can also use mobile advertising to sustain customers' interest and increase brand loyalty towards the products. They can do this by running contests periodically and offering ring tones and product logos, which are becoming popular, for download.

Companies use mobile advertising to increase interactivity with the customers. This is more so with media channels. By using mobile phones, media channels can increase interactivity with customers, thereby increasing viewership.

Companies can use mobile phones for customized promotional campaigns. As companies have easy access to demographic details about the customer, they can design promotional campaigns to target specific customers. As the customer carries the mobile phone all the time and everywhere, companies can launch location specific and time specific promotional campaigns. For example, Dominos can send a discount offer to professionals during lunch time.

But companies have to note that the mobile advertising medium is not a stand alone medium through which a full-fledged promotional campaign can be run. It can only compliment the promotional activities that are done through traditional media such as print and television. Unlike in the traditional media, it is not advisable that these companies run push based promotional campaigns in this medium, in which one-way interaction takes place, that is, from the company to the customers. Push-based campaigns not only annoy mobile users but can also bring in legal troubles for the company. Instead the company should go in for pull-based campaigns where customers are willing to participate in the promotional campaigns.

Caselet 12

1. Wills as a cigarette brand is popular for its "made for each other" advertisements. Through these advertisements, the company has projected Wills as a product possessing attributes such as an active lifestyle, high quality and a relaxed mind. Thus, the company is correct in its choice of brand extension i.e., entering into fashion retailing that matches the core values of the Wills brand.

Another reason for the company to make the brand extension is its association with sports. For a long time, the company has been associated with sports related events. With this association, it has built a certain brand image among the consumers. Based on these associations, consumers regard Wills as not just a product brand but as a lifestyle brand. The company's entry into the sports products category under the "Wills Sport" label has further enhanced the brand image of Wills. Thus, the company decided to leverage the brand equity which it has built over the years.

2. Cigarettes constitute ITC's primary business accounting for, more than half of the company's revenues. But this line of business is facing various challenges. The government has tightened the regulations regarding usage and promotion. It has banned smoking in public places, and promotions on television and radio. There is increasing awareness about the ill-effects of smoking among consumers. As a result, the number of smokers is on decline. Thus company has been on the look out for new growth opportunities. The consumer goods industry is growing at a rapid rate due to the booming economy and raising income levels of the consumers. This prompted the company to enter into this field.

Another reason for the diversification into consumer goods could be to counter the negative anti-social image of the company which is often viewed as being responsible for the ill-health of people. Thus, by diversifying into other consumer-related businesses such as lifestyle retailing, food products, and greeting card business, the company can enhance its public image.

Caselet 13

1. Kellogg's initial offerings in India comprised cornflakes, wheat flakes and Basmati rice flakes. Even with quality products and a strong media push, the company failed to live up to its expectations. Kellogg's failure can largely be attributed to its failure to study the behavior of Indian consumers properly. A person grows up with certain values, tastes and habits unique to his or her particular region or culture and eating habits vary from region to region. Many Indian families prefer home made preparations like idlies or parathas for breakfast, unlike in the West where readymade preparations are used. Even if Indians use readymade preparations, these are generally milk, biscuits, bread with butter or jam. Kellogg's strategy of promoting its products as an alternative to Indian breakfasts did not go down well with consumers.

On the positioning front, Kellogg committed the mistake of positioning itself on the health plank, unlike in the US, where it had positioned itself as a 'fun and taste' brand. This positioning resulted in the brand acquiring the image of a health product. Also the company did not "Indianise" its products. So, the taste of the products did not appeal to Indian consumers.

2. Repositioning of the products on the nutrition platform is a step in the right direction, especially with growing awareness about the importance of nutrition among Indian consumers. In India, the number of working mothers is growing. Due to time and other constraints, they are not able to provide traditional home made preparations for their children. This has prompted them to look for readymade food products that at the same time give proper nutrition to their children. Thus the company can take advantage of the shift in the preferences of Indian women by positioning their products on the nutrition platform. The company can also make the products "fun taste" products to attract children who have a say in product selection and who can influence their parents to buy the products.

Caselet 14

1. Bharat Forge's marketing activities are oriented towards the production concept. According to this concept, a company believes that its consumer needs can be satisfied by making products widely available at low prices. Such a philosophy may be suitable when consumers consider easy availability and low cost as the main criteria for purchasing a product. Companies which are production-oriented try to focus on achieving an efficient production process. This is done by adopting various cost cutting measures. Bharat Forge has made the production process efficient by automating it. As a result, it could also achieve cost reduction. It achieved a cut in variable costs to the tune of Rs 6,000 per tonne. With the automation, it was able to deliver the products to the customers in a short period of time.

The companies which are production-oriented are of the opinion that customers would buy their products if it provides them at a low unit cost. However, apart from the pricing of the product, customers also consider various other issues like quality, convenience, service, etc. Many companies fail in the market because they are so focused on achieving production efficiency and reducing costs that they fail to design the products according to the actual needs of the customers. Such a perception towards marketing is described as "marketing myopia" where the companies are obsessed with product and ignore the actual needs of the customers. Moreover, competitors can easily replicate the advantages that a company builds as they can get the services of experienced workforce and acquire the technology to manufacture similar products.

2. As competitors can match the price and quality of the products, due to the easy access to technology, information, and workforce, a company cannot derive a competitive advantage from these attributes. Thus, Bharat Forge has to focus on understanding the actual needs of the customers and develop and market the products accordingly. This forms the crux of the marketing concept. By developing products according to the customer needs, the company can even command a premium on its products. For example, Samsung has a higher market share in the memory chips market, even though it is a commodity product that is priced 17 percent higher than the industry average. This is because Samsung has customized the chips for products like Dell servers, Microsoft X-Box game consoles, and Nokia cell phones. The company can also derive a competitive advantage by branding its products. Tata Steel is an appropriate example of this. It has branded its steel products thus differentiating them from others. This enabled Tata Steel to improve its market share in the depressed steel market.

Caselet 15

1. Placing a product in the shelves of retail stores in the USA is an expensive proposition. There were around 200 nature food chains where the company wanted to place its products. Placement costs for each store was in the range of $5000 to $10,000. Thus the company would have to shell out $ 2 million towards placement fees. As it did not have the financial ability to launch the product on such a large scale, it decided to identify its target segment and go for concentrated marketing. In order to identify the target segment, the firm did a cluster analysis in which demographic profiles of the customers are analyzed. Finally, Tasty Bite identified customers in the age group of 25-54 with an annual income of over $ 75,000 as its target segment. The company identified 80 stores which would attract its target customers. It decided to market its products through these 80 stores.

Stand I

As Tasty Bite is marketing ethnic food products, it may appeal to a specific customer segment. The segment may consist of the Indian community residing in US or other American Nationals who have a taste for ethnic food products. Thus, by concentrating on these specific segments, the firm can reduce its marketing and promotion costs. It can achieve market leadership in this specific segment.

Stand II

However, targeting a single segment has its own risks. The segment may turn sour, i.e., the target customers may stop buying the products. Another risk the company may face is a competitor entering this segment, thus impacting the company's profits and market share. By concentrating on more than one segment the company can reduce the above risks, and broaden the market for its products, making it as popular as Chinese and Mexican food products.

2. A brand name is an effective marketing tool that can be used to sell the product. A brand name describes the product and its qualities and even differentiates the product.

Tasty Bite identified that its ethnic food products with Hindi names were not understood by the American customers, thus reducing the product appeal. By giving the products names that were easily understood, customers can be encouraged to try them. The company renamed its 'Palak Paneer' as 'Kashmir spinach' 'Navratan Korma' as 'Jaipur Vegetables' and 'Alu Chole' as 'Bombay Potatoes,' thus bringing in instant product recognition among the customers. As Tasty Bite's food products are common dishes that can be easily launched by other companies, it tried to differentiate its products by naming them innovatively.

Caselet 16

1. The cola companies have used different promotional strategies to grab the attention of the rural customers. As soft drink is a FMCG product, mass media such as television and radio need to be used to reach the rural customers. With the proliferation of cable and satellite television channels and their acceptance by the rural customers, cola companies mainly focused on promoting their soft drinks through television. They started advertising on TV channels which are popular with the rural customers. Moreover the ads were also specifically targeted towards the rural customers. Coke has been successful in drawing attention of the rural customers through its "Thanda matlab Coca Cola" campaign. The ad backdrop, theme and characters were rural thus making the rural customers connect with the brand. A similar strategy has been adopted by Pepsi through its kite flying campaign and the ad in which Sachin Tendulkar plays cricket with rural children. By roping in celebrities such as Sachin Tendulkar and Amitabh Bachaan who are familiar to the rural people, Pepsi could attract the rural customers towards its brands.

The mass promotions are supported by various field promotional activities. Cola companies participated in various village melas and haats. They set up special kiosks which could attract the customers. The posters of celebrities such as Amitabh Bachaan and Aamir Khan were displayed in the kiosks so that customers could relate with the celebrities and feel encouraged to buy the drink.

2. Cola companies have adopted hub and spoke model of distribution network wherein a hub (distributor) services many spokes (smaller retailers). As the distribution of products is difficult in rural areas due to poor transportation infrastructure, companies have adopted this model. In this model the cola companies replenish the stock at the distributors directly, and in turn distributors supply the products to the individual retailers in their area. As individual retailers are not easily accessible through usual transportation means, various transportation vehicles including the traditional means such as bullock carts, auto-rickshaws, cycle-rickshaws, hand carts, camel carts, and mules are used to distribute the products.

Another important aspect of distribution is the storage of the products. As the soft drink needs to be served chill, retailers in remote areas faced difficulty in maintaining the chillness of the products due to the harsh rural conditions and inconsistent electric supply in rural areas. Companies have overcome this problem following unique tactics. Coca Cola has provided retailers with the refrigerating equipment that doesn't require electricity. Pepsi has developed refrigerators that can withstand the harsh conditions of rural areas such as high voltage fluctuations, poor ventilation, high temperatures and dusty environment.

Caselet 17

1. Max Healthcare (Max) has adopted a unique healthcare service model that is being implemented for the first time in India. So far, every major player has used a top-down approach to design their healthcare service model. In the top-down model, first the service provider sets up tertiary hospitals that provide a complete range of healthcare services. Later they focus on secondary healthcare centers which provide multi-specialty medical services including diagnostic services, and primary healthcare centers which attend to minor healthcare needs. But Max Healthcare set up an integrated healthcare model which would start from primary healthcare centers (Dr Max) and then move on to secondary healthcare centers (Max Medcenters) and finally to tertiary healthcare centers (Max Hospitals).

The motive behind this strategy is to retain customers within the system by providing a complete range of healthcare services starting from minor healthcare services to complex surgeries. Another reason for adopting this model is to gradually build an umbrella healthcare brand. For this, first the company is trying to build a brand at the primary and secondary healthcare levels, which will provide referrals for the tertiary healthcare services.

But this model poses several challenges. Primary healthcare services are more popular in developed nations because of high medical costs. Thus it is in the interests of the insurer as well as the consumer to have regular health check-ups and take preventive healthcare. But in India health insurance has not caught on with consumers. At present, most customers pay their healthcare bills from their own pockets. Hence they visit the doctor or the hospital only when they are ill. Thus it would be a difficult task for Max to drive volumes in primary healthcare services - a crucial factor for a company adopting a bottom-up model.

The company's primary healthcare brand Dr Max competes directly with general practitioners, and it is likely to be difficult for Max to gain the trust of customers. The healthcare business at this level is mainly based on the relationship between the doctor and the patient. This is the reason why general practitioners dominate the primary healthcare scene in India. Max will find it difficult to wean customers away from local physicians who have had relationships with them over many years.

Another challenge for the company is to build the brand. As the company is starting with primary healthcare services, the customers are completely unaware of the company and its healthcare brand, unlike its competitors. For example, if Apollo Hospitals opened a primary clinic, the customers would be well aware of the Apollo brand and their hospitals, thus making it easier for Apollo to capture customers.

2. Max has decided that for its venture to be successful it should differentiate its offering from those of other local health care service providers. The company feels that it should offer standardized services at all its health centers to project an image of an organized player. Max has taken two key steps to make its integrated healthcare model work. First, Max set up all the primary clinics on its own, rather than adopting the franchising route to develop the network. Such a measure gives Max complete control over the operations. It plans to provide standardized services across all its healthcare facilities. By owning the facilities Max can follow standard policies and procedures for treating patients. It also gives the company the flexibility to make changes in their operations as need arises. But Max's strategy of going in for completely owned facilities may put pressure on its financial position. It also requires the deployment of valuable human resources for managing the day-to-day operations of the facilities; these human resources could otherwise be used for other strategic purposes.

The second measure it has taken is to standardize its services. To ensure this Max has recruited doctors on its payroll, rather than on a revenue-sharing basis. The usual practice in the healthcare industry is to hire doctors on a revenue-sharing basis. The doctor fixes the consultation fees depending on his/her reputation and specialization. The revenues so obtained are shared between the doctor and the hospital. In this setup, doctors often try to increase their revenues by treating a larger number of patients. This may result in a deterioration of the quality of service, as their focus shifts to the quantity rather than the quality. Thus by recruiting doctors on salaried basis, the company hopes to lay the ground to provide higher quality service to its customers.

3. Some of the steps Max could take to attract the customers towards its primary healthcare service centers are:

- It can undertake consumer health education programs at its facilities. This brings about brand awareness among the customers. It also creates a good image for the company.
- It can run periodic free health checkups at its facilities. By conducting such checkups, customers will get a feel of the services that the company is providing. This may encourage them to patronize the healthcare centers
- It can also take an institutional approach by marketing its services to corporate houses. It can provide healthcare services either at their own offices, or arrange for its employees to visit clinics in the vicinity. This expands the market for Max.
- It can hire the services of reputed physicians, in order to capture a readymade customer base.

Caselet 18

1. HLL has segmented the tea market based on the benefits sought by the consumers. The benefits sought by customers in different income groups are different. Lower-income group customers drink tea to gain energy. Hence tea brands that offer benefits such as strong flavor and energy boosters appeal to these customers. HLL has positioned Brooke Bond A1 and Lipton Tiger as energy drinks. It has also launched a new variant of A1 that is fortified with vitamins, to strengthen the brand proposition.

The economy segment consumers who come from the middle income group drink tea for relaxation. Thus brands positioned as products that provide relaxation and retain freshness will appeal to this customer segment. HLL has clearly positioned its two economy brands Brooke Bond Red Label and Lipton Taaza as brands that retain freshness and provide relaxation.

The premium segment customers drink tea for social reasons. Thus brands that are endorsed by celebrities can attract this category of customers. For this reason, the company has roped in noted tabla player Zakir Hussain to endorse the premium brand "Taj Mahal".

Thus appropriate segmentation and positioning of various brands after a thorough understanding of these segments has helped HLL to increase its sales.

2. Roadside tea stall vendors' needs are different from those of end-consumers. The tea consumption of vendors varies according to the customer demand. Hence the vendor's purchases vary on a daily basis. So the vendor usually prefers loose tea which can be bought in varied quantities according to the requirements. He needs a tea powder that provides strong flavor and can make a larger number of cups of tea. Also, he doesn't have a brand preference. Based on these findings, HLL started selling the type of product that could attract these vendors. It supplied the tea powder on a daily basis to these vendors, through its 800-1,000 salespersons on cycles.

HLL offered tea in pack sizes ranging from 500gms to 5kg. This helped the salesmen to restock the vendor as per his daily requirement. HLL also addressed the product quality needs of the vendor by offering a product that gave a strong flavor and a larger number of cups per kg of tea. Apart from these, the company also devised incentive programs so as to encourage the vendors to buy larger quantities. In this manner, HLL succeeded in attracting the tea vendor market as it developed the offering that matched the needs of its target customers. In order to meet their varied requirements, it distributed the product on a daily basis, and this distribution strategy helped HLL to weaning tea stall vendors away from loose tea sellers. Daily visits to the vendors also helped HLL to build long-term relationships with its customers. By distributing the product through a large number of salespeople on cycles, it removed distribution bottlenecks, as these salespeople were able to reach even remote areas.

Caselet 19

1. Honda's decision to re-launch the Honda city was prompted by two key reasons- weakening of its positioning and the changes taking place globally in the parent company's strategy.

When Honda entered the Indian market in 1998 with its Honda City model in the mid-sized and luxury car segment, the competition was limited to a few players and the segment was largely untapped. At lower end, Daewoo Cielo and Maruti Esteem were the key players, and at the higher end Opel Astra and Mitsubishi Lancer were dominating the market. If customers wanted a luxury car, they had only a few options like the Mercedes E-class and imported cars like the BMW. Therefore, HSCI took advantage of the gap between the lower end and the higher end models. The Honda City scored over the lower end models with good design, higher engine power and good interiors. The company fixed a price that was higher than the lower end models and created an image of a premium offering. The price was lower than the higher end models, so that the customers would perceive that Honda was offering a higher value proposition than the existing models. Such a positioning helped the car to become a successful model for the company.

However, the market conditions changed in 2003. The models available in this segment increased from 8 in 1998 to 14 models in 2003. Models like Hyundai Accent, Tata Indigo and Ford Ikon were now offering its similar features, style and power at lower prices. This reduced the premium advantage that Honda City enjoyed.

In addition, there were now more options available for the customers at the higher end to choose from. A new semi-luxury car segment emerged with five models competing in this segment. In the midst of such developments, the Honda City positioning was not clear and confused the customer. This made the company decide to reposition the product by changing its product and the image of the brand. The company has decided to position the product as entry-level mid-sized car, competing with the likes of Accent, Ikon and Indigo, where the market is showing good growth rates. It has reduced the price of the car and modified the product by making changes in design, to make the product sleeker. The engine power has been reduced and compensated with increased fuel efficiency.

Another key factor that prompted the company to re-launch Honda City is the changes taking place at the global level. Across the global markets, the parent company has replaced the older version of the Honda City with a new version called Fit Aria. Even the Asian markets are slowly shifting to this model. Thailand, the manufacturing base for the company, has stopped producing the older version of Honda City that is sold in India. This put HSCI in a difficult position as it sourced key parts like the gearbox and engine from Thailand. The alternative source for those parts is Japan. However, sourcing from Japan will increase the cost of production as the company cannot take advantage of the free trade agreement existing between India and Thailand. Hence, HSCI forced to change the product in line with the changes made by the parent company.

2. Honda has taken a big move by repositioning Honda City on the fuel efficiency and price platform. It has also repositioned the car as an entry level, mid-sized car. The company has installed a low powered engine and cut the price substantially. This may alienate the customers who look for performance and quality cars. Moreover, customers may view the price cut as a sign of the company comprising on quality.

On the other hand, the company wants to enter the growing entry-level, mid-sized car segment and hence is targeting the "upgraders" who want to covert from the compact small car segment. By bringing the prices to the levels of other cars such as Accent and Indigo, it has made the car more accessible to customers. Customers who resisted buying the car earlier, due to price constraints, are now willing to buy the new Honda City. Also, customers perceive that Honda is offering better value proposition.

The company's decision to install a low powered engine that provides higher fuel efficiency is the right move. With rising fuel costs and high traffic, fuel efficiency is a key factor that customers look for. Thus reducing the engine power may not have much impact on the car sales.

Caselet 20

1. The competition in the aviation industry in India intensified in the early 21st century and various campaigns were launched by private airlines. However, competition was the most aggressive in 2002 and many innovative campaigns similar to the ones in the global market were launched. JA and IA adopted the Advanced Purchase Excursion (APEX) prices schemes under which they offered about 50% discount on their fares if passengers booked their tickets 21 days in advance. JA introduced the APEX fares under the ‘Everyone Can Fly’ scheme and IA under the ‘U Can Fly’ scheme. IA also offered schemes like ‘Wings of Freedom’ and ‘Bharat Darshan’ which offered unlimited travel for a week provided passengers fulfilled certain conditions.

Sahara did not adopt the APEX schemes but launched innovative schemes like the ‘Sixer’ which enabled passengers to travel on any six routes for Rs 25,000. One of the most innovative schemes in 2002 was the auctioning of tickets online initiated by Sahara under ‘Steal a Seat’ scheme. ‘Steal a Seat’ enabled passengers to bid for the ticket.

Though the scheme was very innovative, analysts felt that they might not be very successful in the long run. The APEX scheme did not seem to be very convenient as passengers had to plan their journey at least 21 days in advance. In addition, the airlines had to spend huge amounts on marketing and developing these schemes. The schemes were viable only in the short term and such huge investments might not pay in the long run, they felt.

Though the schemes might increase customer base, the number might come down once the schemes are withdrawn, as most of the passengers using the various promotional and price reduction schemes were reported to be first time travelers who had shifted from upper railway class travel to flight travel. Moreover, pricing might not be an effective marketing tool in the long run as the market seemed to be an oligopolistic one.

However, the airlines reported that the schemes had been useful, and that the customer base had increased. They said they were also planning to increase their fleet size to meet the demand. Industry observers, on the other hand, felt that the private airlines might not be able to continue these marketing ‘gimmicks’ for long as they would affect their financial position adversely.

2. Airline companies in the Indian aviation industry can focus more on enhancing customer service (particularly in-flight services) and maintaining flight schedules, to enhance their market share and increase their user base. An airline company’s travel agent network plays an important role in its success. More than 50% of the tickets, in particular for the business class, are booked through travel agents. Therefore, having a good agent network is important. As most of the airline companies are decreasing their fares, the commissions (which are calculated as a percentage of the fares) to these agents will be affected. So, airline companies should introduce fixed commissions rather than calculate them as a percentage of the fares, and offer other incentives to the best agent.

Companies should also adopt strategies for the long run that will help decrease prices significantly. To do so, the airlines might need to invest huge amounts on buying aircraft and developing their own maintenance teams and reducing costs. The Internet can also be used to increase market share and promote various schemes, offer online booking and other facilities. At present, Sahara seems to be exploiting the Internet to the maximum extent.

Joint flight numbers code-sharing agreements might prove useful. Under such an agreement, two airlines, usually one domestic and the other international, market their seats jointly. An example of this would be Indian Airlines and Air India on the Gulf route. Both market the seats and only one or the other flies. Private airlines could also explore the possibility of entering into such agreements. They could also enter into joint frequent flier schemes wherein passengers can collect miles on one airline and redeem them on the other, preferably the international one. Such arrangements offer greater connectivity for the airline. The joint advertising, and promotions also help curtail costs and thus increase profits.

3. The following are key environmental factors that influence the pricing decisions in the airline industry.

Demand for the airline services.

Demand for the airline services comes mainly from two fronts— business travelers and leisure travelers. Business travelers are more concerned with the punctuality and the quality of service while leisure travelers are price sensitive. Thus an airline company charge higher fares for business class travel, while reducing economy class fares during the peak holiday season when the demand from leisure travelers peaks.

Competition in the airline industry

As business class travelers are not price sensitive, the company need not react to competitors' price reductions in this segment. Instead it can provide value added services at the same fares so as to retain the customers.

As far as economy class fares are concerned, the company's pricing decisions are influenced by the competitors' moves. If the competitor is a new entrant and offers price reductions, the company need not react to such moves because the competitor's price reductions are short term and aimed at just getting the attention of customers.

However, if there is price reduction by an established competitor, the company could come out with similar reductions. But it has to take care that the reductions will not have too much of an impact on its revenues. In some cases, it is better for the company not to react to a competitor's price cuts. Instead it can offer one or more services as a package at lower prices, like Sahara's "Sixer" offer and IA's "Wings of Freedom" offer, thereby diverting the attention of customers from the competitor's price cuts.

Demand for substitute services such as railways and roadways

Airline pricing decisions also depend on the prices of the substitute travel options such as railways and roadways. First class train passengers can be a good target segment for an airline company. If the prices of the A/C class rail travel on a particular route are increased and the gap between the airfare and the A/C fare is not much, it is advisable for the company to bring its fares even closer to train fares so that it can attract the A/C class train passengers. The shortfall due to the price cut can be covered by increase in volumes. But the company has to ensure that the price cut results in train passengers switching over to their service.

Purchasing power of the customers

Another key macro environment factor that influences the pricing decisions in the airline industry is the purchasing power of the customers. The reason for the low market share of airways in the overall travel market is that the majority of Indian consumers belongs to the lower and middle income groups and as such, may not be able to afford such high prices. Thus in order to tap this market segment, the airlines have to either reduce fares substantially, which may not be feasible, or launch a low cost air service like Air Deccan.

Caselet 21

1. The success of Nivea can be attributed to the company's meticulous nurturing of the brand, and effective brand extension strategy.

The company developed Nivea as a brand with the following attributes: mildness, reliability, gentleness, protection, high quality and value for money. Such attributes made the customers view Nivea as not just a product but as a symbol of good health, graceful ageing and better living. Brand popularity was further enhanced by associating the brand with sporting events, fashion events and other lifestyle related events.

Another factor that contributed to the success of Nivea was effective brand extension strategy. A successful brand extension strategy requires identification of attributes that are associated with the brand, and developing the products that match those attributes so that the products can fit into the brand or even enhance the brand image.

The Nivea umbrella brand offers 300 products spread across 14 categories. Such a level of brand extension requires careful planning and execution. The company has taken care that every product addresses a specific need of the customer. A new product is launched after it is thoroughly evaluated on two parameters— whether it matches the values of the mother brand and whether the benefits it offers are in line with the benefits offered by the mother brand. As pointed out in the case, consumers associate the Nivea brand with the attributes of mildness, reliability, gentleness, protection, high quality and value for money. A new product would be given the Nivea name only when it reflected these brand associations. The company also took care to ensure that the benefits that a product offered were in line with the benefits offered by its mother brand. Nivea shampoo, for example, not only cleans the hair, it is milder and gentler than other shampoos in the same range. If the product satisfied these two criteria, the product would then be evaluated on whether it satisfied consumer needs and on its business viability.

The brand extension strategy has been fine tuned by developing a 'Nivea Universe' framework for effective brand extensions activities. The center point of the framework is occupied by the 'mother brand' which represents the core values of trustworthiness, honesty and reliability. Around the mother brand, two circles are drawn. The inner circle consists of brands that reflect the values of the mother brand, and these products try enhancing or strengthening the values associated with the mother brand. The outer circle consists of brands which create new associations of the brand that provide future growth opportunities to the company.

2. The key advantage of the umbrella branding strategy for a company is the leverage it can get from the mother brand name, thus ensuring instant recognition for a new product, from the customers. Nivea is a well established brand in the beauty and health market. Thus by launching products under the Nivea brand, the company can ensure that consumers can easily relate their products with the mother brand. Thus, the company can leverage brand awareness of the umbrella brand to sell the product.

Marketing products under a single brand can also help the company enter international markets easily and cost effectively. Using a single brand, marketing and promotion costs can be reduced due to economies of scale. Similar promotional campaigns can be extended to various international markets. As the brand is well established, a company can enter other international markets where it has no presence, based on the reputation of the brand.

But there are some disadvantages associated with the umbrella strategy. By extending the brand too far, the equity of the brand may get diluted. Another disadvantage is that failure of a product or bad news about one product under the umbrella brand can affect other products marketed using the same brand name. As Nivea is in the personal care business, a rumor or bad news about one beauty product can impact the whole product line.

Caselet 22

1. HDC launched its range of personal care products 'Ayurvedic Concepts' after extensive research and promoted them with the tagline 'Get on with your life.' It indicated that the company's products would help the consumer cope with the pressures of modern life. In a market survey conducted by the company, it was found that although people respected Ayurveda, they were not ready to accept it as a science. HDC thus had to establish the credentials of Ayurveda as a research-based science with its medicines causing zero side effects.

After extensive discussions with its advertising agency, Contract, HDC decided to project 'Dadima' as the brand ambassador for its products. This decision was unconventional as (generally) youngsters dislike being advised by the older generation and label them as 'old-fashioned.'

However, HDC's TV commercials sought to change this basic perception about grandmothers by projecting 'Dadima' as a person familiar with the latest developments and who could use the same 'lingo' as youngsters. She could relate to the younger generation effortlessly and knew their problems and priorities well. The advertisements projected Ayurvedic Concepts as products for the body, which were formulated with the utmost care and quality.

One of the advertisements was set in a card shop, in which some girls were shopping for music albums and selecting cards for their friends. Suddenly they realize that they will be late for a music show and that they will not have much time to dress up. Just in time, 'Dadima' who is also there tells them about the Ayurvedic Concepts' face wash and gives them tips on how to look beautiful. The girls are surprised to see the elderly lady talking about the current trends in fashion. Other advertisements for Ayurvedic Concepts conveyed the same message and sought to change the perception of youth about their grandmothers.

According to company sources, the 'Dadima' advertisements were an instant hit with consumers, and the company received many letters appreciating them. The campaign not only increased the brand's visibility, but gave it a very high brand recall among consumers as well. Thus, 'Dadima' contributed immensely to the success of Ayurvedic Concepts and in establishing the credentials of the range.

2. All over the world, HDC's range of personal products was launched under the brand name, 'Himalaya.' The 'Ayurvedic Concepts' brand was used only in India. This was because the company realized that doctors and chemists saw Himalaya as an Ayurvedic medicine company with a strong research background. In order to retain its image, HDC launched its personal healthcare products in India under the brand, 'Ayurvedic Concepts' and strongly established the new brand through aggressive marketing strategies.

However, the management soon realized that in around 55 countries where it was operating, consumers perceived Himalaya as its main brand. They felt that it would be difficult to establish Ayurvedic Concepts as a separate brand. Moreover, in order to garner a larger market share in the global healthcare market, it was very important to place and promote its products on a single plank.

The company also found that doctors and chemists were in fact, showing interest in the Ayurvedic Concepts range. Many doctors were asking HDC's medical representatives about Ayurvedic Concepts. At this stage, the company felt that Ayurvedic Concepts seemed to be overtaking Himalaya and very few consumers knew that Ayurvedic Concepts belonged to HDC.

Stand I: The company was right in going in for umbrella branding, as it wanted to concentrate on the global healthcare market and it was very important for it to project one brand in order to avoid confusion in the minds of consumers. By bringing the whole product range under one brand name 'Himalaya,' the name under which its products were available in all other countries, it made it easier for consumers to relate to the different products of HDC. Also, with Ayurvedic concepts proving immensely popular, the aspect of brand dilution could not be completely ruled out. In order to consolidate the market share in the global markets, it was thus the right decision. Further, advertising and marketing costs could be minimized if all the products were under a single brand.

Stand II: Since the brand had already achieved a critical mass and high brand awareness among the consumers, killing it abruptly could prove disadvantageous for the company. Ayurvedic Concepts had become synonymous with the Ayurvedic healthcare market in India, unlike the brand name "Himalaya" which did not convey anything about the products it was selling. In the face of increasing competition in the herbal healthcare market with players like HLL, Shahnaz Hussain, Dabur, Baidyanath trying to increase their presence, the absence of Ayurvedic Concepts and 'Dadima' from advertisements could prove disadvantageous for the company in the long run.

Caselet 23

1. The following developments generally prompt companies to redefine their orientation towards the market place — decline in growth rate, increased competition, decline in sales, and change in consumer buying patterns. These developments impact the company sales and profits which in turn make the company to analyze the reasons for this and take corrective actions.

In this case, there were three developments that prompted Voltas to rethink its strategy. With the entry of MNC's, the competition had increased which impacted the company sales. The sales had been declining; its market share had gone down from 40% (1987) to 6% (1999). Consumer preferences had changed in the past few years. They were now giving more importance to convenience and better service aspects which were not recognized by Voltas. This led to consumers viewing Voltas as a "tired brand".

In the changed business environment, consumers no longer look at goods like A/Cs and refrigerators as sophisticated functional goods; they consider them as consumer goods. However, Voltas failed to identify this shift in consumer behavior and promoted their products by highlighting factors such as reliability and tradition which failed to make any impact in the minds of the consumers.

This made Voltas, a company that believed in production-based orientation towards the market, espouse the marketing concept.

2. Marketing concept refers to the philosophy of a company which makes the customer, and the satisfaction of his or her needs, the focal point of all its business activities. Companies adopting this concept focus on delivering value to their target customers better than its competitors, and at the same time striving to achieve its organizational goals. Customer centric strategy is the key to adopting a marketing concept. The marketing concept is based on four key components, target market, customer needs, integrated marketing and profitability. Let us examine these four components in the Voltas case.

Target market: The Company realized that the commercial segment has stagnated and the domestic A/C segment which is growing at a compound rate of 15-18% is the growth area. Thus, the company has decided to focus its efforts on fulfilling the needs of this target segment i.e., the domestic A/C segment.

Customer needs: Voltas has identified that its product quality is on par with that of its competitors. However, there are other attributes that consumers look for while buying a product. They prefer products that are easily available and provide good service. Thus the company has revamped its distribution network so that its products are made available through 700 retail outlets. The company has also opened call centers to provide better customer service.

Integrated marketing: Integrated marketing is achieved by making the entire organization work together towards satisfying customer needs. Voltas has tried to achieve this by implementing the ERP package across the organization so that the coordination between various departments can be improved. The company has also linked call centers with dealer networks to provide better customer service. It also included a customer service policy that makes it mandatory for every employee to attend customer calls within a short span of time.

Profitability: The main reason for adopting the marketing concept is to help the company achieve its goals of making Voltas one of the top three brands in the A/C market.

Caselet 24

1. After 9/11, major airlines focused on survival rather than growth. They cut seat capacities and started operating in limited routes with smaller fleets. At the same time low-cost airlines increased their market share. They launched services in major routes in direct competition with the mainline airlines. They also increased their seat capacity to fill the gap created by major airlines. Thus, they increased their market share from 10% in 1995 to nearly 20% by 2003.

The conservative approach adopted during the recession by major airlines has given them the financial strength and the lean organizational structure to take on the competition. Companies undertook various cost-cutting measures. They cut back the seat capacity by as much as 20% to adjust to the declining demand. To cut fuel cost they disposed of or canceled the leases for less fuel-efficient older planes. Companies cut back their workforce to reduce personnel costs and make the organization leaner. They implemented electronic-ticketing systems to reduce transaction costs.

The economy has grown by 2.4% during the second half of 2003 and the unemployment rate reduced to 6.2% in July 2003. Corporate investment have picked up. As a result, the demand for air travel started returning to pre 9/11 levels.

The economic recovery and cost-cutting measures during the recession have provided the much needed stability and financial strength to major airlines. Major airlines feel that it is the right time to fight back and regain the lost market share.

2. Major Airlines are mainly adopting two key strategies to contain the low-cost airlines. The first move was to modify their pricing structure to attract the price sensitive travelers. The second measure taken by the major airlines is to launch similar services to enter into direct attack with the low-cost airlines.

The first strategy is aimed at getting back the consumers who have switched to the low-cost airlines during the recession. For example, Delta airlines made heavy price cuts and increased the capacity at the Los Angeles airport by 50% in the Atlanta Long Beach route to woo back customers from JetBlue. JetBlue has retreated from this route after only seven months in operation. The aggressiveness of the Delta Airlines action can be made out from the statement by JetBlue's vice-President (planning) "It was definitely a violent reaction. We decided to use our resources best elsewhere." American Airlines increased its presence in the Dallas and Chicago hubs that it had previously cut back due to decrease in demand.

The second major strategy adopted by the major airlines is to directly attack the discount airliners in their territory by launching similar low-cost airline services. United Airlines plans to launch its low-cost service called "Ted" to attack Frontier Airlines. Ted is planned to operate in the markets like Reno, Nevada, Las-Vegas and Tampa. These markets have a large population of leisure travelers who are the key segment for the low-cost services. Delta Airlines is expanding its 36-plane, low-cost service "Song". This service is aimed at capturing JetBlue's market share. American Airlines also plans to compete with the discount carriers by launching its discount service "Derby".

Announcing discounts on the existing services might attract customers back to the major airlines like Delta, but this strategy may not be viable in the long run as the costs may not allow services at discounted rates. This will also lead to confusion in differentiating the services to premium and economy travelers. This strategy may also affect the bottom line of the airlines just recovering from recession.

Launching separate discount service airlines like Ted and Song will help the major players to fight the discount players without harming their own original service offering. This allows major players to design similar low cost business models and engage competitors like JetBlue. This will help the parent airlines concentrate on their business customers in the major markets. This strategy requires lot of investment to maintain a different fleet for low cost operations.

Caselet 25

1. With the increasing competition in the retail sector, retailers need to differentiate their store offerings from that of the competitors in order to attract customers and increase their market share. Differentiation can be done by providing services and features which are unique to the stores. Creating specific private brands is one such initiative aimed at differentiation.

Another reason for increasing popularity of the private brands is the perception of the customers towards these brands. There is a marked trend of declining product innovations by established manufacturers which has made consumers view competing products as close substitutes rather than as brands. This has led to a decrease in brand differentiation. Because of this consumers believe that accepting an in-store brand against an established brand will not make much difference in terms of quality. And as the private brand is priced lower than the established brand, the consumer perceives the brand as a “value for money” product.

FoodWorld as a brand has gained popularity and consumers are relating the brand to attributes of hygiene, quality, range and most importantly, trust. So FoodWorld wants to cash in on the brand that has been built and extend it to the products.

Apart from FoodWorld’s strong brand equity, the sales volumes it generates might have also made it feel that it is viable to manufacture and market its own private brands. Besides offering a better value proposition to FoodWorld’s customers, private brands also leave the company with higher profit margins.

2. If managed properly, private brands can bring in substantial benefits and profits to the company. Globally, Marks & Spencer's, Sears, and Home Depot have benefited from private branding strategy. But there are some challenges associated with the private branding initiative. The retailer needs to be on good terms with the manufacturers for mutual benefit. By launching private brands, the relations between the manufacturer and the retailer may become strained which may not augur well for the retailer. Manufacturing and marketing the products requires a different kind of knowledge and set of skills compared to merchandising activities. Managing private brands also requires substantial investments. FoodWorld may also run the risk of depleting its store image if a private brand, which is closely associated with the store, fails to meet customer expectation.

Caselet 26

1. Any market research process begins with a definition of the problem and a statement of the research objectives. The research objectives of this initiative are to

- analyze the customer's response to the product price of $44
- evaluate consumer purchasing trends
- identify the promotional campaign that needs to be devised

After deciding upon the objectives, the company drew up a research plan. As the company wanted to conduct a concept test, it decided to collect primary data. The company selected the survey research approach and the experimental approach to collect the primary data. The survey research approach is used for descriptive research. In this approach, companies undertake surveys regarding the customer's needs, preferences, etc. Since P&G wanted to evaluate the customer purchase trends and the customer response to the product, it structured the survey on these lines. Experimental research involves selecting a group of customers and exposing them to various experiments in a controlled environment so that marketing managers can identify the cause and effect relationships. P&G has offered its product for sale on an experimental basis on its newly-created website, www.whitestrips.com and evaluated the customer response to its product and the price at which it is being sold.

After deciding on the research approaches the company had to decide upon the contact method. There were various contact methods available such as mail questionnaire, personal interviews, on-line interviews and automated telephone surveys. P&G chose the online medium through its newly-created website, www.whitestrips.com.

The next step was to collect information. To do this, the company advertised about the website and the product, in the print and electronic media and encouraged consumers to visit the website. The company also sent emails containing information about the product to consumers. The campaign was run for a duration of eight months.

The company was able to sell an estimated 1,44,000 Crest White Strips in those eight months.

The next step in the market research process was to analyze the information which was collected. P&G analyzed the sales and survey data. It found that 20 percent of the consumers who had sought information on the product also purchased it. Regarding the purchasing trends, women accounted for 80 percent of the purchases; 50 percent of the women who purchased the product were aged between 35 and 54.

Based on these findings, P&G devised advertising campaigns for the product. The Crest White Strips was officially launched in May 2001 and turned out to be a successful product.

2. Online market research is fast catching up with the marketing managers. Online market research has many benefits.

- Online MR is cheaper than traditional methods.
- Online research can be conducted in a shorter period of time.
- The sample size can be kept large and it is easy to obtain participants.
- Geographic obstacles can be removed. Thus online MR can be helpful for research projects that require sample size consisting of diverse groups spread across multiple locations.
- The company can reach their target customers more effectively than through traditional means.

But there are certain limitations in conducting marketing research online.

- Online MR requires the participants to have access to a PC and the Internet. Thus the company cannot reach that section of the population which doesn't have Internet access.
- This type of research is not suitable in cases where the touch and feel of the product is required i.e., the research require close interaction with the customers. Examples include cars, garments and food products.
- The conduct of online research requires the company to acquire special software and hardware infrastructure.

Caselet 27

1. GCMMF's diversification into the ice-cream, curd, paneer, cheese, and condensed milk segments was mainly due to the following reasons:

To take advantage of the changes brought about by liberalization

In the early 1990s, with the opening up of the Indian economy and with many multinationals entering the country, the life-styles and food habits of the people underwent a major change. Hoping to take advantage of this change, GCMMF diversified into foodstuffs like cheese, confectioneries, chocolate, etc.

To make use of the large quantities of milk produced in Gujarat

The increased production of milk in Gujarat forced GCMMF to introduce more milk-based products, as it had to make use of the extra milk. To expand the consumption base of milk products, it planned to make products like butter and cheese, which are a part of the regular diet in most Indian homes.

To increase the demand for basic milk products

GCMMF wanted to see an increase in the demand for basic milk products like cheese. As cheese is a major ingredient for pizzas, its entry into the pizza market was likely to push up the demand for cheese. GCMMF's entry into confectioneries was expected to increase the demand for milk.

To widen its appeal

GCMMF had an edge over its competitors so far as pricing was concerned. Its products were almost 20-40% cheaper than the products of its competitors. This helped the company broaden its appeal across all the segments.

To leverage its distribution set-up

As the demand for fast food products was expected to grow rapidly, Amul wanted to utilize its cold chain distribution set-up for a new range of products like frozen pizzas.

To create synergies in the value chain

GCMMF was a major player in the cheese market. With the launch of pizzas, there would be a captive market for cheese. Amul also planned to enter the chocolate market in a big way. It decided that if it was unable to compete with major players, the chocolate could be used in its ice creams.

2. There could be two reasons for launching the pizzas under the SnowCap brand. Consumers have long associated the Amul brand with milk products and chocolates. So GCMMF may have felt that extending the same brand to pizzas may not be the right approach as consumers may not link the product with the Amul brand. Thus, by launching the pizzas under a different brand name, could make the product more appealing to customers. Second, Amul wanted to enter the ready-to eat food market in a big way. Using the Snowcap as an umbrella brand, the company wanted to launch various products like sauce, ketchup, parathas. If the company achieved success in the pizza business, it could extend the brand to other products. Thus it wanted to develop a successful brand in the ready-to-eat food market, like Amul in milk products and chocolates.

3. Amul has adopted a penetrative pricing strategy to sell its pizzas. The penetrative pricing strategy aims at reaching a larger customer base than the competitors by undercutting prices. Such a strategy is well suited for new products. This strategy can be implemented only when it results in necessary volumes being sold to the company to justify such pricing.

Yes, penetration strategy is the right approach for the launch of pizzas by Amul. There are organized and unorganized segments that sell pizzas in India. The organized segment is mainly dominated by international chains like Pizza Hut and Dominos. The unorganized segment consists of smaller regional chains and neighborhood bakeries. Customers perceive that chains like Pizza Hut and Dominos provide good quality products and higher customer service. This perception enables the organized players to command higher prices. Amul cannot match such quality and service, as it is a relatively new entrant. Apart from that, the volumes in the organized sector are a small percent of the overall market for pizzas. Thus Amul has decided to initially take on the unorganized market, where there is a huge potential. In order to tap the unorganized market, the pricing needs to be kept low so that it can match the neighborhood bakery prices and capture a market share.

Caselet 28

1. Product decisions are generally classified into three categories: changes in the product types offered, changes in the tangible physical product, and the changes in the intangible/augmented product.

Changes in the product types offered: This involves changes in the product line. While product-mix refers to the number of product-lines that a company manufacturers or markets, product line refers to the set of related products that satisfy a class of need or used together or sold to the same customer groups. Henkel Spic's product mix consists of five product lines. There is no change in the company's product mix, but there are changes at the product line level. The company is making a line extension of the Margo brand to include lotion and cold cream. It wants to use the brand equity of Margo by extending the product line. Henkel Spic is launching the bar variant of its popular Pril liquid dish cleaner to capture the growing dish wash bar market. The company is also extending the Fa brand to other products such as men's toiletries, soap and talcum powder.

Changes in the tangible physical product: In this type of product decision, the physical attributes such as quality, functional features, and style of the products are changed. Henkel Spic has changed the product formula of the Fa range to counter the decline in sales.

Changes in the intangible/augmented product: The key intangible aspects of a product include branding, packaging and product services. Henkel Spic is changing the branding, packaging and communication for its Fa brand.

2. Pril is a liquid scourer with a market share of 70% in the liquid dish wash segment. As this is a premium product, volumes are low. As the Indian market is a predominantly mass market, such products will have a limited market. Moreover, the liquid cleaning concept is ahead of the times. Such cleaners are mostly used in western countries where they use mechanical dishwashers. The company has realized that cheaper scouring powder and bar segments is where the real growth is. Statistics have shown that the market volumes in the dish wash bar segment is 120,000 tonnes per annum in the urban areas and 150,000 tonnes in the rural areas. Thus, such big volumes prompted the company to focus on this segment. Moreover, market research has shown that dish wash bars are used for heavy washing and the liquid cleaners are used occasionally.

Caselet 29

1. The following factors could have prompted Starbucks to enter the global market:

The sales in the US market were stagnating during the mid-1990's. The stores in the US market had reached saturation and the growth in average spending by each customer was also flat. This led to the company identifying opportunities to increase sales and profit growth rates. As such, coffee retail chains outside the US are very limited; it felt that expanding globally would be an ideal option to improve sales and profits.

As coffee consumption is more or less uniform and similar across the world, the company felt it could enter the global market without much difficulty. Starbucks is a brand known the world over for its coffee taste, and in-store ambience. Moreover, in Asian countries, the youth a key target segment for Starbucks, tries to imitate western culture. This interest in western culture coupled with brand awareness, would, it was felt, provide ample opportunities to the company in the global market.

2. Starbucks adopted three methods to enter international markets – joint venture, licensing and wholly owned subsidiaries. In most of the countries it entered through joint ventures and licensing. Canada was the only country where Starbucks established its wholly owned subsidiary, as the political and economic environment in Canada was stable and it also enjoyed favorable trade relations with the US. Another important factor was that Canada, being geographically close to the US, it was easy for Starbucks to control its operations there.

In Asia Pacific countries, which are well known for their strong local cultures, Starbucks adopted joint ventures, as a local partner could help the company make inroads into the market. A local partner would provide better insights into the tastes and preferences of the consumers and this would be helpful for Starbucks to gain market acceptability. For instance, in Japan, the local partner Sazaby helped Starbucks understand the Japanese consumer habits and come out with products which would meet local preferences.

A company generally adopts licensing when entering a country becomes tough due to a volatile business environment or when it does not find a partner who can invest substantially in the joint venture. Starbucks entered the Middle East countries through the licensing mode due to difficulties posed by the political environment there. Many Middle East countries had turbulent political relations with the US, because of US support to Israel. Thus in countries where the political and economic environment was volatile, the company found it advisable to operate through licenses. At times when the situation became worse, the company would not be affected as it did not have any resource commitment.

3. Following are some of the prominent risks that a company may face while expanding its operations internationally.

Operational risk: Operational risk arises out of factors internal to the company such as machinery breakdown, industrial strife, supply and distribution imperfections, excess or shortfall in inventory, etc. It causes a down-time in the day-to-day operations of the enterprise. Reducing costs by eliminating wastage, and reducing variances and lead-time by improving processes are important to bring about global efficiency. The more the number of parts and processes involved in production, the greater the risk of not achieving the desired quality and productivity standards.

Political risk: Political risk refers to political actions that have a negative impact on the firm's value. Political risk is not confined to developing countries. It exists even in highly industrialized economies. While macro-political risks such as war and anti-globalization efforts affect the value of all firms in the country, micro-political risks like regulation of certain industries affect the value of a firm or firms within that industry, adversely.

Country risk: Country risk is a wider concept that encompasses economic conditions, government policies, political conditions and security factors. The challenge of country risk analysis is in the aggregation of risk factors.

Technological risk: Technological risk means the probability of adverse effects on business due to factors like obsolescence of an existing technology, development costs of new technology, failure of a new technology and security concerns of electronic transactions.

Environmental risk: Environmental risk can be of two forms. The company may incur the wrath of regulators because it polluted the environment, or there may be a public outcry in the event of an environmental damage caused by the company. Environment risk management might not provide short-term gains like financial risk management does. But in the long run, it can certainly become a source of competitive advantage and also enhance the corporate image.

Starbucks may face mainly operational and political risks. It may face a shortage of supply of coffee beans, which are critical for its operations. The short supply of coffee beans may be due to restrictions imposed by the local government on import of goods to protect the domestic industry or due to a shortage of beans in the local market. As Starbucks is an American icon, growing discontent among various countries towards Americans could have a bearing on its sales and profits.

Caselet 30

1. Employee training helps McDonald’s in three ways:

Training enables the staff to improve their performance levels. Training helps crew members to increase the effectiveness of each customer interaction. It helps the staff to adopt a systematic way of performing operations, which enables them to offer faster service to customers.

Training helps employees in improving customer relations. Training helps the employees understand underlying customer intentions and respond accordingly. Staff become adept at dealing with customer complaints and objections.

Training reduces the employee turnover. Training enables new recruits to quickly adapt to the company's environment. It also helps experienced employees to achieve higher performance, which in turn leads to higher job satisfaction.

2. In-house training has many advantages. The training programs are cost effective as cost per person will be lower due to less overhead costs such as travel, course material, etc. Courses can be developed based on the needs of the organization and can be aligned to the company's business objectives and strategies. The company has the flexibility to change the curriculum as and when the need arises. However, in-house training programs have certain disadvantages. They involve high fixed costs in terms of faculty and physical resources. The training programs have a one-dimensional approach, i.e., the programs are developed based on the company's needs and objectives. Thus, such an approach may not incorporate the changes that are happening in the market. This limits the employees' creative thinking.

Caselet 31

1. Three key factors are responsible for the decline in sales of Rooh Afza.

Competition from the players within the soft drink preparatory products market and from the substitute products has increased. New entrants such as Coca-Cola's Sunfill and Haldiram's new range of sherbets are giving tough competition to Rooh Afza. Rasna has also increased its marketing activities. Hamdard is not able to hold on to its market share as it is not in a position to match the marketing efforts of marketing savvy companies like Rasna and Coca-Cola. Apart from this, the soft drink preparatory product market is itself facing tough competition from substitute products such as aerated drinks and fruit based beverages.

Another key factor responsible for the decrease in sales of Rooh Afza is the changing customer preferences and tastes. Young customers form the major segment of a soft drink market. These customers seek variety and buy products that look trendy. They also show a high degree of brand preference. Youth are less interested in Rooh Afza, as they perceive it to be an old formulation and a herbal product.

The company's inability to handle its marketing mix properly is cited as another key factor for the poor performance of the brand. FMCG products require heavy promotions. Due to the nature of its organizational set up, the company was not able to undertake large-scale promotions. Hamdard also did not provide enough consumption avenues to customers help in improving sales. For example, Rasna offered its products in various flavors and formats. Hamdard did not undertake such an initiative. This has limited the market for Rooh Afza.

2. Periodic changes in packaging are necessary to cope with the ever changing market environment and customer preferences. Packaging is an important marketing tool. Packaging can differentiate a product from the competition as attractive and convenient packaging can draw the attention of consumers. Frooti's success can be attributed to its innovative packaging and the frequent changes made to improve appearance and convenience in handling the product. Attractive packaging also aids impulse buying. On the other hand, customers may perceive that a product is of low quality if the packaging is poor. A poorly designed pack may even lead to lost sales for the company. Periodic changes in packaging can create excitement in the product, which is important for an impulse product like Rooh Afza. Thus, Hamdard needs to change its packaging with changing customer preferences and the latest trends. It needs to offer the product in convenient, attractive and contemporary packages to position Rooh Afza as a fun product, to appeal to the youth segment.

Caselet 32

1. Scorpio was positioned as a UV with great power and style that offered "the ultimate driving experience, driving thrill, luxury and comforts of a passenger car along with value for money." The product was aimed at the customers who already owned mid-sized car and plans to purchase a second car. For such customers the company had to provide a compelling reason to invest in another car. So the company positioned Scorpio as a utility vehicle that provides comforts of passenger car and the ability to travel on city roads as well as on rough terrains.

The company also adopted unique advertising strategy. The company attempted to create emotional appeal in the ads. A series of ads were launched, each with a different tagline and highlighting a different product attribute. It used taglines such as 'So plush, so comfortable, so depressing for other cars,' 'A car you can walk into. Not crawl into,' 'The car you can look up to. Not look down upon". Through these ads the company wanted to address the "esteem needs" of customers. By showing the car's superiority over other cars, it projected the model as a status symbol.

To support the ads in the print and television media, it undertook several non-traditional media and outdoor promotions. It sponsored adventure events like 'The Great Escape' event and 'One lap of India, One lap for safety', to highlight its rugged image and to promote the product as a lifestyle product. It also sponsored events like Brand Equity quiz, to enhance its image as a lifestyle product

2. M&M adopted a target costing method which otherwise is also known as "design to price" method. This is the reverse of the usual process of setting the price, where first the product is developed and then the price is decided on the basis of costs incurred. In the target costing method, the company first decides the price at which the product is to be sold. The price is decided on the basis of the profit margins the company wants to achieve, competitors' prices, and the product to be developed. Based on the price, company fixes the cost at which the product should be manufactured. This in turn guides the purchasing and manufacturing activities of the product. In this case, M&M decided to launch Scorpio at a price lower than the competition with low profit margins. With a target price range of Rs 550,000-Rs 720,000 in mind, the company developed the product. This method helped the company to price Scorpio competitively. It also made the company save costs and pass on those savings to customers in the form of a low price.

Caselet 33

1. Stand I: Since its inception, Eureka Forbes has followed the direct selling strategy, and through this strategy it has become the market leader in the vacuum cleaner and the water purifier segments. It has built up a formidable sales force that enhanced the company's image and sales. With the recent proliferation of players in the same market segments, the market has become highly competitive. With many brands occupying consumer mind-space, the consumer is not clear as to which product is preferable. In such a situation, person-to-person selling can be the differentiating factor which enables the company to stay ahead in the market. With live demonstrations of the product and direct interaction, the company can build on the perception of trust and reliability among customers.

Stand II: When it entered the market, the direct selling strategy was the right approach for Eureka Forbes. This was because the concept of retail outlets for such products was not developed at that stage. The avenues for advertising were also very limited. The radio and print media were not suitable for promoting a multifunctional new product like a vacuum cleaner to customers. The medium of television did not have the reach required and was not effective enough in attracting customers. Consequently, direct selling through sales personnel was the right approach to promote and sell these products. Additionally, consumers used to stick to a particular brand due to the lack of choice and information about other brands. But since Eureka Forbes entered the market, conditions have changed a lot. At present consumers have more choice and awareness of different brands, and as a result, they evaluate various alternatives before making a purchase. So multi-brand showrooms are becoming more popular. Today consumers want to buy a product only after comparing various alternatives in a showroom with a good ambience. Therefore, Eureka Forbes should also market its products through pleasing showrooms stocking consumer durables of various brands.

2. The company undertook a shift in its advertising strategy because of changes in market conditions and consumer preferences. The company has built a good brand over the years. At this point, consumers know the brand and the reputation of their friendly salespersons. The company now wants to focus more on communicating the utility of the product to consumers. Company studies revealed that the consumers have apprehensions about the usage of products like vacuum cleaners. In most middle class and upper middle class homes - the key targets for the company, maidservants clean the home. And consumers believe that the vacuum cleaner is a sophisticated product which cannot be operated by maidservants. This perception of the product led to low usage and affected product sales too. To change this perception, the company has come out with new ads that feature maidservants cleaning the house with the vacuum cleaner, to create the impression that the products are easy to use and can even be operated by maidservants. The ad campaign was supported by a customer training drive by its sales personnel; here, the sales personnel trained maidservants on product usage and maintenance.

3. Environmental awareness is on the rise among the public in India. Consumers are increasingly concerned about increasing pollution and environmental degradation and its effect on them and their children's health. Eureka Forbes, with its health-related products, benefits from getting involved with environmental protection activities. Its association with such activities can help the company touch the right chord with health-conscious consumers who are the key target segment for the company. Through such association, the company wants to enhance its image as an environment-friendly and hygiene-oriented company. Such an image would be an asset to it in marketing products like vacuum cleaners and water purifiers.

Caselet 34

1. A nutraceuticals company has to choose between operating in a niche market limited to few segments and a mass market that covers the entire market.

The high-income customer segment forms a lucrative market for any nutraceuticals company. This is because this segment is more health conscious and has adequate knowledge about the benefits of these products. This makes it easier for companies to market nutraceuticals to this segment.

The company can adopt a price skimming strategy by positioning the products as premium products. By using a tailor made marketing mix they can capture the up end market. Thus, the company can adopt a niche marketing strategy.

However, depending only on this segment of the market may be a risky strategy. Since this segment is small, a new entrant could grab the company's market share over night.

The company should try to market its products to the middle class, which forms the major chunk of the Indian market. A company has to adopt a mass marketing strategy to capture this market.

As the Indian market is price sensitive, the company can capture a large share of the market by adopting a price penetration strategy. As Indian consumers have a large intake of natural foods, and are familiar with herbal products, companies can easily market the products to middle and low-income customers. Distributing products in smaller packs at an affordable price can help these companies succeed in the market.

2. Companies should first change the perception of consumers towards nutraceutical products. Indian consumers are more concerned about cures rather than preventive measures. They view nutraceutical products as health related products to be taken by people who are ill. Thus, companies need to educate the customers about the advantages of nutraceuticals and their ability to prevent certain ailments. Companies can conduct health related workshops to improve the brand image and brand awareness among the customers. Companies can also launch toll free help lines to give information regarding health related issues.

A company should push the products through relevant channels. Consumers do not show interest in the products by themselves, but they go by the advice of the doctors on whom they contact when they are ill. Therefore, a nutraceutical company can push its products through the prescription route. To increase sales, the company can market their products to doctors and chemists.

The company should make products to suit Indian tastes and conditions. They should launch products in smaller packs to encourage trial purchase. This strategy can help to make the products familiar to a larger number of customers and any repeat purchase would help to broaden the market.

3. Healthcare advertising is quite different from FMCG advertising. Healthcare advertising, unlike FMCG product advertising cannot make claims without any clinical evidence. Healthcare related advertising is informative while FMCG product advertising is persuasive. The legal issues regarding promotion of healthcare products are more stringent than those for the FMCG products. While making purchase decisions for healthcare products, the consumer is less influenced by advertisements. The influence of advertisements is high on consumers making FMCG product purchases.

Healthcare advertising requires more planning and creativity. The advertisements need to be educative and informative. The claims made in the advertisements need to be substantiated with reports obtained from reputed laboratories or scientific institutions. The advertisements should be devoid of the exaggerations, which are common in FMCG advertising.

Caselet 35

1. Many factors have led to the success of the M800. Before the launch of the M800, the Indian consumer had very little choice while buying a car. He either had to buy an Ambassador (Hindustan Motors) or a Premier. Both these cars failed to satisfy customer needs. They were not fuel-efficient and the engine life was short. Therefore, when M800 was positioned as a fuel-efficient small car the Indian consumer readily accepted it. The sleek looks and the fuel efficiency of the M800 when compared to the Ambassador appealed to customers.

The restriction on foreign players entering the Indian market also helped Maruti. The pricing strategy also attracted many Indians to buy their first car. Thus, the M800 went on to be a product and company success story.

2. Maruti had a product mix catering to economy (A segment), premium economy (B segment), lower mid-size segment (C segment) and upper mid-size segment. Although Maruti was the first player in the Indian market to introduce customers to a sleek, small car (M800), it did not move fast to produce and popularize models that would appeal to affluent customers. When the Indian market was opened to foreign players, Indian roads where flooded with the Maruti 800 and a few other models. Many of the M800 users who had their cars for more than 10 years were looking to buy a new car. They had the option of upgrading to a Maruti Zen or any other car available. Since the purchasing power of the Indian middle class was growing, by 1995 many new players felt that Indian consumers were ready to upgrade from economy cars. Consumer surveys projected a huge market for B-segment cars. The new players chose this segment as it offered better margins. The new models launched by players like

Daewoo, Hyundai, Fiat and Tata provided the much-needed variety for the Indian customer. Therefore, many of their cars found success in the Indian market.

3. The opening up of Indian markets has led to the entry of many multinational auto majors with their internationally renowned car models. Most of these new entrants concentrated on the B segment small car market and they were successful as many M800 owners upgraded and many middle class customers directly bought a B segment car as their first car. Although Maruti had Zen in B segment, it failed to be a choice for the M800 owners who wanted to upgrade. Until then Maruti had been concentrating on its M800 model, targeting the low end market. However, it failed to concentrate on the growing numbers of the middle class Indians who had the economic power to buy a B segment car.

Looking at the success of competitors in the B segment, Maruti wished to fill the gap between the M800 and the Maruti Zen. It had launched the Alto at a price point between the M800 and the Zen. This was aimed at giving an alternative to customers who wanted to upgrade to a B segment car. The pricing of the Alto and the value given were also expected to attract first time buyers. This model also aimed at breaking the model fatigue associated with Maruti's product line.

Caselet 36

1. When Perfetti, an Italian confectionary major entered India without partnering any local company, it was confident that it could build up a distribution network from scratch. The company directly distributed its products to retailers at the introductory stage. But very soon it realized that it was difficult to build a distribution network as there was no awareness of its brands among the distributors and retailers. Realizing this, Perfetti decided to try other ways of acquiring a distribution network. Its distribution problem was solved when its parent company took over Van Melle, a Spanish confectionary company, which had already developed an extensive distribution network in India. With the acquisition, Perfetti got a distribution network of 3 lakh outlets and this helped it to expand its market and thereby establish the brand. This strategy of acquiring a distribution network was the right move as Perfetti's brands had failed to force their way into the retail outlets on their own. The company succeeded in getting retail space by routing its products through an established distribution channel (acquired from Van Melle).

Having established the brand, the company felt that to increase its sales, it would be better to focus on an intensive distribution strategy wherein all available outlets were covered in a few regions, instead of entering into more regions and having less of a presence in each. By focusing on the intensive distribution strategy, the company could reduce distribution costs and improve sales. The company also felt that small retailers held the key to improving its sales. So it focused on increasing sales generated by these outlets. But it observed that due to space and financial constraints, these outlets were not buying in large quantities. The company felt that if these retail outlets were serviced frequently with different product offerings, the retailers would be encouraged to buy more of its products. Perfetti also noticed that the retailers considered some of its products to be similar and bought only one of them. The distributors also pushed the fast moving products and paid little attention to promoting the slow moving brands. This reduced the overall sales of the company.

To counter this, the company divided its product mix into two groups (P1 and P2) and allocated these groups to different distributors. The P1 group had brands like Alpenliebe original, Chlormint, Big Babol and Centerfresh. The P2 group consisted of CenterShock, Mentos, Marbels, Fruit-tella, and Happy Dent. Since the two groups where allotted to different distributors, the brands got better attention and sales grew. Thus Perfetti became a major player in the Indian confectionary market.

2. To remove the conflict between its brands, the company divided its products into two groups, P1 and P2. The P1 group consisted of Alpenliebe original, Chlormint, Big Babol and Centerfresh. The P2 group consisted of CenterShock, Mentos, Marbels, Fruit-tella, and Happy Dent. This led to discontent among the distributors as they felt that their sales volumes would reduce due to fewer brands in their fold. They also felt that the P1 group had more top selling products like Alpenliebe than the P2 group. Thus those distributors who were allocated the P2 group were not satisfied. Perfetti may have taken this decision to provide better thrust for its slow moving brands. The company may have felt that sales would increase as the frequency of the distributors visiting the retailers went up. Apart from this, they may have expected the sales of slow moving brands (P2) to increase with a different distributor handling these products.

This distribution strategy was also innovative in the industry as it concentrated less on pushing the products through the distribution channel by giving higher margins to the middlemen. Instead, it focused on influencing the brand preferences of the end consumers (by spending huge sums on advertising) to increase the sales of the products at the retail outlets. This strategy succeeded in negating the discontent of the middlemen over the issue of lower margins as they saw a faster stock turnover, resulting in better returns.

Caselet 37

1. Network or multi-level marketing (MLM) system comprises sales people or distributors at various levels. The sales force includes independent distributors, who earn commissions at two levels. The first is the distributor margin, and second is the commission the distributor gets by appointing distributors under him/her. This commission is based on the sales generated by the recruits. This system cuts costs of the conventional distribution system, and eliminates the need for the traditional retail chain.

This type of marketing begins with the recruitment of distributors, who enter the network by paying a registration fee. They are given the first product kit and the next kit is delivered only after the first kit has been sold. The commission to the distributors is based on the sales volume. As these distributors recruit more distributors, the network grows, thus increasing market penetration. In this type of marketing, the investments on marketing account for about 25% of the selling price, on an average.

In India, direct selling was never as popular as it was in other parts of the world. There were many reasons for this. There was a widespread mistrust of the selling and marketing function in India. Either the product or the sales person or sometimes both are not trusted. However, the concept could catch on in the future with the changing social environment. Many multinationals were in the process of popularizing the concept in India. Amway was rather successful in India, because it chose more women as its distributors, particularly as the company’s products largely comprised cosmetics and personal care products. The company was already working on plans to encourage unemployed youth to take up distributorships by reducing the registration fee.

The traditional distribution setup being a successful model was used widely in India. In a traditional distribution system, the company saved on the inventory costs, as against the MLM model. In an MLM model, the company had inventories at different locations, to source its distributor base. This was not required in the conventional distribution system, where the distributor stored the products. Also, a higher market penetration could be achieved through the traditional system, as the product could be delivered even in the remote places. In the MLM model, the company had to give commissions to the distributors at many layers of the network hierarchy. This added to the costs. One of the major advantages of an MLM model is that, innovative products can be properly demonstrated. A classic example is Eureka Forbes vacuum cleaners. However, sales forecasting becomes difficult in an MLM model. This increases inventories. Moreover, brand building is not possible without advertising. Also, in an MLM model, there is high rate of self-consumption. The distributors become the consumers, curbing the growth of the market for the products. This is due to the high distribution margins offered to the distributors. Also, the company that uses a MLM model cannot control the actions of its sales team.

2. Amway faced many problems during the initial period after its entry into India: decreasing number of distributors, self-consumption by the distributors, a premium segment product image, low brand awareness, low product knowledge etc. To overcome these hurdles, Amway planned several measures relating to the product and its price.

Product: Firstly, to increase product knowledge among the customers and the distributors, the company began putting stickers on its products. The stickers made it clear, that Amway's products were very concentrated and could be diluted to a large extent, and that this would result in a low cost per usage. Amway also decided to have a focused approach for every product category. It increased product focus by establishing strategic business units, and appointing category managers for every category, in India.

Price: To shed the premium-segment product image, the company introduced smaller packs, which made its products affordable to different income groups.

Place: The major obstacles that Amway faced were the high costs of making long distance calls, long delivery time, and the refusal of courier companies to accept cash. The company lacked access to crucial infrastructure such as network banking, toll-free phones, and multi-service courier companies. Its central warehouses were not operating efficiently, and Amway had to announce incentives to C&F agents who could deliver parcels quickly - locally, within 48 hours and to other cities, within 72 hours. It also turned its attention to the smaller towns and decided to expand its network in these towns on a priority basis. Hindi was used on company's stationery and Amway's expansion programs were named 'Operations Ghar' and 'Operations Gaadi'.

3. To deal with competition from other FMCG giants, the company should price its products competitively. It should increase product exposure through aggressive advertising. The distributors should be motivated and trained to contact more customers. They can be given incentives for getting in touch with more customers. The company should also try to rope in more women as distributors, as they would find it convenient to work part-time and at their own pace. Also, as many of Amway's products are aimed at women, it would be easier for women to accept the distributorship.

Caselet 38

1. The wire line business is showing signs of stagnation. Due to fewer players in this market and slow growth rates, the wire line business is not looking promising. On the other hand, the GSM market in India is growing at a fast pace. The market is valued at \$1.5 billion in the \$5 billion mobile services market. India is the fastest growing market in the world next to China. The present figure is over 21.9 million subscribers and one million subscribers are being added every month. It is worth noting that mobile services have not reached even 1% of the communications market, which signifies the market potential. Thus, mobile infrastructure and handset businesses are bound to grow substantially. Over 18.3 million handsets are sold every year. Companies are launching the latest models with enticing features. The replacement market is growing as well. Alacatel wants to capture 15-20% of the market share by next year.

On the infrastructure and applications front, companies have to cope with growing subscribers. In order to provide better connectivity and service they are bound to add capacity. Pressure is put on the service provider infrastructure, with newer services such as Internet and mobile commerce, SMS and MMS (multimedia messaging services) being provided to the customers. Thus, this business is looking promising as well.

2. Stand I: As the company is a new entrant, a price penetration strategy is the right approach. By keeping prices low, the company can capture a larger market share. The company has little or negligible brand awareness among customers, which makes it difficult for the company to promote and differentiate its products. Using low price as a differentiating factor, the company can promote its products and build good brand awareness.

Moreover, the Indian consumer market is more dominated by the mass market where the entry-level handset market occupies a larger portion of the overall handset market. Thus, by launching products at low price points, Alcatel can attract the price-sensitive Indian consumers.

Stand II: Customers may perceive that company's low priced products are of low quality. This is more so when the mobile phone market is maturing and customers are upgrading from low priced, low quality products to high quality products having advanced features. Price penetration strategy is a short-term oriented approach. Customers switch to other brands as and when the company increases its prices. Moreover, competitors can easily replicate the price penetration strategy. Motorola has already launched a new model in the under Rs 3000 category and Nokia is also planning to enter this segment. The Chinese handset manufacturers, Kyocera and Bird, due to their economies of scale advantage can launch their products with heavy price cuts. Thus, a price penetration strategy is not the right approach for Alcatel to enter and sustain in the Indian market.

3. Quality, service and price are the three key issues organizations consider while making purchasing decisions.

Quality: The quality of the product implies the specifications that a company needs. Thus, suppliers need to supply the products that conform to the specifications given by institutional customers. This is even more important when it forms the part of the final product. Failure to conform may hurt both the supplier and the organizational customer, since the final product may not meet the expectations of the end-customer. Mobile phone service operators look at equipment that provides high quality voice and data services to customers. They also look at compatibility with other technologies.

As the market is growing at a fast pace, companies look for products that are scalable to accommodate growing needs.

Service: Companies look for high customer service such as on-time delivery, onsite customer support, easy availability of spare parts, flexible payment options, etc. As mobile phone service providers are in the communication business, any system break down will affect the company's reputation, and lead to inconvenience for the end-customers. When the equipment is mission critical for clients, suppliers need to have round the clock customer support to meet any eventuality.

Price: Since organizations purchase in large quantities or high value products, they expect a bargain price. If a company is making a one-time investment in capital equipment, it makes a critical cost-benefit analysis. However, companies do not usually base their decision on price. Their main criteria would be product quality and service. In other words, company will not compromise on quality and service for a lesser price.

Caselet 39

1. Cielo's poor performance can largely be attributed to the lack of consistency in Daewoo's policies. The car was launched in a hurry without a proper market research exercise. Also, it was launched with a high import content, because of which the company could not offer a 'value for money' product. Moreover, the low indigenisation level of the vehicle resulted in high costs of spares.

The fact that Daewoo frequently changed the positioning of Cielo added to the problems. Advertising in the initial stages highlighted the technology and aesthetics aspects and later it moved on to the positioning plank of a 'premium family car.' Though Daewoo justified its moves saying that it could not help changing the positioning, as there were no benchmarks in India regarding car positioning, it could not be denied that the conflicting images only resulted in confusing the customers.

Clashes between the Korean management and the Indian personnel also resulted in confused marketing strategies with inconsistent approach. The Koreans forced the free Cielo scheme even though the Indian managers had vehemently opposed the move.

Daewoo had problems on the quality front as well with frequent complaints regarding poor fuel efficiency. In fact, a senior Korean official admitted that Daewoo had not understood the Indian market properly. When the issue of tackling the quality problems arose, Daewoo relied on its sales staff to pacify irate customers. Surprisingly, the sales staff was not trained sufficiently to handle such problems. Daewoo also misread the demand potential of the Indian passenger car market. Its projections were way too high. Daewoo's assumptions that the Maruti 800 owners and taxi/hotel car fleet and corporate segments will rush to buy the Cielo also did not materialize.

All the above factors clearly show how the lack of a clear strategy can negatively effect a product as well as the company concerned. Thus, it would not be too far-fetched to say that Daewoo itself was responsible for most of its problems.

2. The problems faced by Daewoo in the Indian market were definitely influenced by the problems at the parent company in Korea. The uncertainty hanging over the India operations with the Korean parent company being declared bankrupt could not be denied. The vacuum in top management and the prospects of disruption in supply of critical parts from the parent company acted towards building a negative image regarding the future of the company.

The first major mistake on part of the Koreans was the gross over-estimation of the size of the market in the country. This resulted in the company making a one-time investment of Rs 4,000 core, the single largest by any carmaker in India. The business plan adopted by the parent company for India failed to take into account certain parameters specific to the country. It looked as though it was in a hurry to set up a base here and as a result entered the market with a high import content thereby ignoring Indian customer's penchant for value for money. Daewoo India also imported most of the content which made availability of spare parts difficult and which resulted in high cost of spares. The parent company also failed to set up a strong vendor base in the country, which resulted in Daewoo India's margins taking a hit every time the rupee depreciated.

Later, as the parent company became trapped in its problems, it did not concentrate on the business plans for India. When the projected volumes of Cielo refused to pick up beyond a point, various schemes and discount offerings were forced onto the Indian arm. Though this resulted in short-term sales gains, it had far-reaching adverse impacts. It caused Cielo to lose its premium car status and Daewoo, its credibility. In the long run, Cielo's sales crashed and never really recovered.

Caselet 40

1. Luxury brand players are adopting an exclusive distribution strategy. In this type of distribution strategy, companies try to sell the products through a limited number of outlets. In most of the cases, these outlets sell the products of a single company. These outlets are run either by the company itself or by franchisees.

This strategy is right for luxury product makers. As the products are targeted at upper class customers, the outlets need to be inline with the needs and preferences of those customers. They need to have a good ambience with luxurious décor and well-trained sales persons. Therefore, it becomes easier to create and manage a few exclusive outlets. The company can have greater control over dealer margins and promotion of the product. It gains strong selling support from dealers or distributors as they sell only the company's products. The availability of the products only at select outlets enhances the premium image of the products.

2. Companies can explore other distribution channels to sell their products. The Direct marketing route is effective in terms of the reaching the customers and from the cost perspective. Since the upper income consumers constitute a lesser number, interacting with them directly can increase sales. In turn, the costs involved in marketing the products will also reduce.

Luxury brands can also be sold through high-end departmental stores, which are key shopping destinations for higher income group customers. With the increase in number of high-end departmental stores like Shopper's Stop and Lifestyle, luxury product makers have a wider choice to choose from. They can set up in-stores within the departmental stores.

Another way to expand the market for luxury products is to sell them online. As the upper income group customers are more net savvy than other consumer groups, online marketing can also be a good option to sell.

Caselet 41

1. As with any successful ad campaign, the company followed a planning process as outlined below.

- Identifying marketing objectives
- Communication effects
- Processing
- Exposure

Identifying marketing objectives: First a firm has to decide upon the marketing objectives that it wants to satisfy and the role of advertising in meeting those objectives. Domino's advertising and promotion activities were minimal in the year 2000. Promotion was limited to banners and specific promotions. However, the pizza market was growing rapidly and was valued at Rs 100 crore in 2000. Thus, company realized that pizza is no longer an upmarket food product and has been accepted by Indian consumers along with their traditional foods like idli or dosa. The company has decided that it is the right time to improve its position in the market. The company identified that targeting the burgeoning middle class homes, whose incomes are on the rise and whose attitude towards eating out is changing, can increase volumes. Thus, company wanted to devise an advertising program to target middle class homes.

Communication effects: Any successful advertising campaign should establish a communication effect in the minds of the consumer that encourages him to take action (purchasing a product). A company can select from four possible communication effects. They are category need, brand awareness, brand attitude, and brand purchase intention.

Dominos and its ad agency Trikaya brainstormed to identify the communication objectives for the ads. They short-listed several options. One option was to develop a cult status towards its pizzas so that a brand attitude could be created. The other option was to highlight its 'home delivery within 30 minutes' feature, thus building brand awareness among the consumers. Another option was to connect the pizza delivery boy's life with the brand.

However, these options may not have had the communication effect required to trigger a middle class customer to order its pizza. The company realized that hunger is a trigger that makes customers order pizza. Thus, Dominos decided to establish a brand purchase intention by connecting hunger with the brand.

Processing: Dominos then had to devise an advertising strategy to achieve its communication objectives. The company came up with the 'Hungry Kya' campaign, which had short duration teaser ads that highlighted the intention to buy its pizza.

Exposure: The final step in an advertising program is to decide upon the optimal exposure of the ad campaign to achieve the desired impact on the target segment. Two aspects have to be decided at this stage- media selection and media scheduling. Media selection refers to the identification of media through which the campaign has to run. Media scheduling refers to the timing and frequency with which the ads are exposed to the target audience.

Dominos did not have a large enough retail presence to leverage the consumer-product interaction and wanted to position the product as a home food item. Therefore, the company decided that reaching homes of consumers is the right option. Television is an effective medium to directly reach the homes of the people. The company decided to air advertisements of 10 seconds duration frequently. Such short flash ads enable impulse buying.

2. Dominos can use three relevant media to promote its products- direct marketing, telemarketing, and radio. Dominos can directly market the product through door-to-door promotions in localities close to the Dominos outlets. Such an effort is cost effective as the promotion is location specific. This also enables the company to inform customers that the company's outlet exists within their locality.

Another way to promote products is through telemarketing. It can identify select customers from its customer database and offer them discounts and special offers to encourage them to order the products. Such offers create impulse buying behavior in customers. It can also identify the customers who have not ordered its pizzas for a long time and encourage them to place orders.

Another medium, which is gaining popularity due to the entry of private FM channels, is radio. The private FM channels are attracting youth which is the key customer group for Dominos. Moreover, these channels are city based and can be more effective than the ads aired on a national television channel. This medium is also cheaper than television.

Caselet 42

1. The launch of New Coke had major marketing implications. Coke was very popular among consumers because of its unique taste. Most people liked Coke because its taste was different from Pepsi's. Coke changed the taste of the drink by making it sweeter, which distanced the people from it because they began to view Coke as yet another ordinary product in the market. Coke lost its consumers' goodwill to a great extent, which had been built with great difficulty over 99 years. The introduction of New Coke with a sweeter taste, similar to Pepsi made most people to switch over to Pepsi.

The market research team of Coca-Cola interpreted the results of its surveys incorrectly. Though the focus group research showed that 10-12% of loyal Coke drinkers would object to any change in taste, they went ahead and changed the Coke formula. When their blind taste tests showed that the new taste was preferred to Pepsi, they ignored all the negative market survey results and launched New Coke. Thus, they forced their product on people, which served to alienate loyal Coke drinkers from the drink.

Coca-Cola could not understand the emotions of Coke lovers. The company thought that consumer protests or disappointment would fade away gradually. It did not anticipate such strong consumer protests. People bore a strong image of Coke in their hearts that Coca-Cola tried to change by modifying Coke's taste. The loyal consumers of Coke even feared that if they favored the taste of New Coke, then the original Coke would never be available.

Coca-Cola overlooked the fact that 'image' of a product is more important than its flavor. Change in taste or formula alone cannot pull up its market share. If Coca-Cola had introduced New Coke without publicizing the change of Coke's formula, it possibly would not have lost the consumers' goodwill. The company did not realize the difference between a 'brand' and a 'product.' While a brand is more about 'perception' (what people think and feel about a product), a product is the 'reality' (what it really is). In reality, companies control the 'product' and consumers control the 'brand.' Coca-Cola could not understand this fact.

2. The company could have used other types of research, which are widely used to test consumer goods and their attitudes. Some of them are discussed here.

Sales Wave Research: In this type of research, consumers are initially offered the company's product free of cost and later they are offered that product again at a lower price. Later on, the customers are offered the product at a higher price. The number of customers who select the company's product each time and their satisfaction levels are noted. This type of research also includes exposing the consumers to a few advertisements to see the effect of advertising on repeat purchase.

Sales Wave research can be conducted quickly, with reasonable security and can be conducted without packaging the final product or showing the final advertisement. However, consumer trial rates of the product would not be indicated correctly with different sales promotion incentives available to the consumers. Moreover, since the consumers are already selected in advance for the trial, their exact opinion may not be reflected.

Simulated Test Marketing: Simulated test marketing involves questioning 30 to 40 qualified shoppers about the popularity of a brand and consumer preferences in case a particular product category. These shoppers are then invited to view popular and new commercials or print ads. One of these ads contains the advertisement of the new product also, but it is not highlighted for special attention. The consumers are then given a small amount of money and asked to buy any item in a store. The number of consumers who purchase the new product and those who purchased competing ones are noted. Such observations are analyzed to find out the popularity of the company's brand when compared to other competitive brands. The consumers who do not buy the company's product are asked the reasons for this. Later, they are offered the company's product free of cost. After a few weeks, they are interviewed over the telephone to gauge their satisfaction levels, whether they wish to buy the product again and their views on the product's attributes.

This method provides accurate and reliable results about the advertising as well as the product effectiveness, the trial rates and the repeat purchase rates. It takes a very short period of time and it incurs less expenditure.

Test Marketing: Test markets are considered the most effective way to test a new consumer product. The company, with the help of a research firm, identifies a few cities where the company's products would be sold. The company would then advertise its products full fledged. With the help of this test, the company can find out which consumer is buying which brand as well as their brand loyalty and brand switching rate. Buyer surveys conducted through test marketing return information about consumer attitudes, behavior, and product usage and satisfaction levels. The effectiveness of the product, distribution, advertising and promotion can also be measured through such surveys.

Paired Comparison Method: In this method, the consumer is asked to select the item that he prefers from two of them. The consumer could be presented with pairs of items like XY, XZ and YZ. If the consumer prefers X to Y, X to Z and Y to Z, then we can say that the order of his preference is X>Y>Z. This method is easier for the consumers and they can easily state their preferences when two items are presented to them. It also helps the consumers to focus on the two items and compare their similarities and differences with ease. The company could also use this method to know the consumer's preference for a particular brand in a product category.

Monadic Rating Method: In this case, the consumer is asked to rate his/her liking for each product on a scale of 1 to 7. On this scale, 1 represents intense dislike, while 4 represents indifference and 7 represents intense like. Through this method, the individual's preference orders and even the levels of consumer preference for each product can be measured. This method is most useful when a large number of products are evaluated at a time.

Caselet 43

1. The following is the marketing mix used by Luxor to sell the Papermate pens.

Product: PaperMate is positioned as a quality product that provides smudge free and smooth writing. It wants to target a cross section of people including students, executives and elderly people. However, Indian customers may not consider quality as the key attribute for a commodity product category like pens.

Price: Luxor is using a price skimming strategy with the average price of its pen range is around Rs 20 which is much higher than the existing pens in the market. Customers may not be willing to spend so much on a product which is a commodity and that has negligible brand equity.

Promotion: Luxor is using a two pronged strategy to promote its products. It wants to bring awareness among the customers by placing attractive point of purchase (POP) material at the outlets. Then it plans to promote the product heavily through television channels. It has roped in the famous TV artist, Shekhar Suman, as a brand ambassador for the product.

Place: Luxor is distributing the products directly to as many as one-lakh outlets bypassing wholesalers. However, it is using wholesalers for distribution of replacements. It is using its own salespeople to distribute the products to stationary outlets. The company is also planning to market the product through FMCG outlets by using salespeople of Gillette's Indian arm, Indian Shaving Products Limited.

2. The following steps can be followed to make PaperMate a successful brand:

- The product should not be promoted on just quality and smooth writing attributes. These may not attract the consumers for a low-involvement product like pens. The company should try to create an emotional connect with the brand and the customer, which will have a higher impact on the consumer.
- Being positioned as premium product, the company's decision to go for an extensive distribution is not a right move as this can reduce the brand image.

Instead, it can go for selective distribution by placing the products at outlets that will enhance the brand image. It can select outlets where its key target customers - students and executives are concentrated, near schools and offices.

- On the product front, the company can try to launch the pens in various designs. This will create interest in the product. It can launch the products in gift packs that will increase the sales of the product and enhance the premium product image.

Caselet 44

1. Stand I: Is the government genuinely concerned about the negative affects of alcohol consumption? Is it trying to protect people by banning the advertisement of liquor products? The answer is ‘no.’ The government’s decision to ban liquor products is an example of its hypocrisy. After all, the government allows liquor to be produced, and earns revenue from its sale – in other words, it profits from the business.

By banning direct advertising of liquor products, the government denied manufacturers the right to advertise their products to increase sales. If the products are believed to have a negative influence on society, the government should not have allowed them to be sold in the first place. Because direct advertising was banned, liquor companies were forced to resort to surrogate advertising. Some of these advertisements contained highly objectionable material and were not very different from direct advertisements. Thus, the ban was not truly successful in stopping the advertisement of such products.

Similarly, when surrogate advertising was banned, companies devised new ways to advertise their products and bypass the law. Therefore, instead of banning liquor advertisements, the government should allow them as long as they follow some basic rules and norms. By banning advertising, the government seems to have given MNCs an advantage over the domestic players. MNCs would freely advertise over channels that are not uplinked from India.

The ban on direct and surrogate advertising also results in loss of revenues for the advertisement industry. The ban is expected to result in losses of about Rs 4-5 billion for advertisement agencies across the country. Moreover, some analysts feel that in the absence of informative advertising, customers might choose inferior products that may affect their health. Advertising helps a consumer to choose the best quality product. The ban on advertising would restrict competition among brands and hence reduce the number of products consumers could choose from.

Ideally, advertising should be regulated by the liquor industry itself

Stand II: By banning the advertisement of liquor products, the government is genuinely trying to protect the people from the social evil of alcohol consumption. If an advertisement initiates or popularizes the use of products that are not good for health, it is the government’s duty to protect the citizens from getting attracted toward such products.

The direct advertisements of liquor products portrayed the products as glamorous drinks consumed in an attractive environment. They also used popular celebrities (who are idolized by youth) to endorse the drinks. It is the society’s and government’s duty to ensure that the country’s youth do not get addicted to bad habits.

International research on advertising, with special reference to alcohol products has revealed that neither direct nor surrogate advertising in any way leads to an increase in alcohol consumption. In India also, many brands that advertised heavily failed to garner marketshare or increase volumes. Therefore, a ban on advertising might not affect the liquor companies in a major way.

Surrogate advertising is essentially a means to bypass the law and therefore strict action needs to be taken against it. According to some analysts, when a consumer knows that the advertised product is a surrogate, he is aware of the original brand and is recalling the original product. Therefore, surrogate advertisements need to be banned.

2. Surrogate advertisements by liquor companies generated a lot of criticism from various sections of society. As direct advertising was banned, liquor companies began showing advertisements that showed the original product, but called it apple juice or some other beverage. Some of these were highly objectionable and also, in some cases, sexually provocative. Reportedly, some of the surrogates shown in the advertisements were not even available in the market. These advertisements not only promoted the concerned company's new products (like water or sports accessories), but also the liquor alternative. They thus helped in brand building and brand recall.

Surrogate advertisements bring many advantages to the concerned brand. Research has shown that such advertisements are more effective than the 'hammer on the nail' kind of advertisements. Analysts said that direct advertisements sometimes evoked a negative response, as they were presumptive. For instance, advertisements for washing soaps stated that they 'washed the whitest.' They seemed to restrict the consumer's freedom of choice. Therefore, marketers in the US had started using 'metaphor' and 'hyperbole (exaggeration or distortion)' ads, like showing a floating cloud to depict the softness of line of shoes. Prudential Insurance Co. uses the 'Rock of Gibraltar' to show its stability. Researchers said that there was some amount of surrogation in these advertisements also.

However, since surrogate advertisements did not show the original product, they could not be used effectively for new product launches and for building new brands. They can only be used to strengthen existing and widely-known brand. Some researchers were of the opinion that surrogate advertisements did not help increase sales of the original products. In fact, they claimed that such advertisements might even erode the established brand's equity.

3. To overcome the ban on direct as well as surrogate advertisements, the marketing team of a liquor company brand can focus on various other alternatives to build the brand. For instance, the company can promote sports events or sponsor some fun-filled, up-market events to market the brand (E.g. a tie-up with the film industry to sponsor movie releases and awards functions).

The Internet could be used to advertise liquor products. As the target consumers for most of these products are middle and high level executives, companies can easily reach them through the Internet. The Internet has proved to be an effective medium for advertising other products and services and would definitely help promote liquor products. Leading brand Bacardi has already entered into an agreement with rediff.com.

Liquor companies can also develop socially responsible advertisements. These advertisements could help the company in increasing the brand recall. In addition, such advertisements could also be used to introduce a new brand and build the brand. Even though socially responsible advertisements did not show any alcoholic product, consumers, more often than not, knew about the original product involved.

Caselet 45

1. The product needs to be positioned as a product with nutritional values and at the same time as a fun filled product. Some features can be added to the product, rather than just offering a basic product such as "honey enriched with extra vitamins and minerals". Such positioning broadens the product appeal not just to the kids or the mothers but also to other segments who view nutrition as an important attribute. Apart from targeting kids, the company should also target the youth and working professionals.

Product packaging need to be trendy so as to represent fun aspect. The nutritional values have to be prominently displayed on the pack.

The perceived-value pricing strategy need to be adopted where the product need to be priced on the consumer's perceived value towards the product rather than just based on the seller's cost. As the product is perceived to be having nutritional values, company may charge a premium to cash on the positioning made by the company.

The product should be made available at the prominent super markets, and grocery stores. It should also be made available at the medical stores.

2. Following are some of the sales promotion tools that company can use to improve the sales of Dabur Honey.

Consumer promotion tools:

- It can use price discounts to attract the customers. It can also offer extra quantity for the same price.
- It can offer reduced price packs i.e., two different products in one pack priced at discounted price. Thus Dabur can combine its Dabur Honey with other food products which Dabur is selling.
- It can give coupons which entitle discount on the future purchases.
- It can run contests and games to keep up the excitement in the product. It can run contests and games targeting kids, as they are more attracted towards such activities.
- It can tie up with other non-competing companies such as Britannia, or HLL to offer both of its products either free or at a reduced price.
- It can offer utility items like glasses, plastic containers with the product, or items that attract kids like toys, watches etc.

Trade promotion tools:

- Another way to increase the sales is to push the sales. Since the product is more of commodity, pushing the sales can even be more effective. Following are some of the trade promotion tools the company can adopt:
- Company can offer quantity discounts, i.e., price decreases as the quantity ordered increases. This will encourage the retailers to order higher quantities to obtain lesser price.
- Company can offer advertising allowance to the retailer to display the company products and point of purchase (POP) material in his stores. By this company can promote its products in a more cost effective way.
- Company can offer certain number of units free if the retailer orders higher than particular quantity.
- Company can also run sales contests to motivate the dealers to sell more units of the product. It can award attractive prizes to the dealer who topped the sales.

Caselet 46

1. ICICI Bank with an asset base of Rs.112, 024 crores is the second largest bank in India next only the State Bank of India. Having got a universal bank status and having a good financial background, the bank is in a formidable position. Though the Indian market is still largely untapped, growth for ICICI Bank in the domestic market has slowed down. This is because of increased competition from private sector banks and public sector banks that are adopting an aggressive strategy. Moreover, interest rates have fallen, putting pressure on margins for the bank. Another reason for stagnation in the domestic banking sector is that the slump in the industrial sector in India. This has lead to decrease in industrial credit segment, which is a profitable segment for banks. ICICI Bank’s search for growth opportunities led to the decision to enter the global markets.

By diversifying into other markets, bank can reduce the risks arising in one particular market. As a financial institution, ICICI Bank can take advantage of varied economic environments in the markets that it is operating. By moving into global markets, the bank can also improve its brand image. Any consumer making a deal with a financial institution evaluates the reliability and trust that the financial institution enjoys. By expanding into global markets, the image of the bank as a reliable and trusted organization can be further enhanced in the minds of the consumer.

2. With the Bank's board signaling a go ahead for the management to tap the global markets, ICICI has set up an international banking division under the leadership of Bhargava Das Gupta. Das Gupta's task was to develop the entry strategy for the bank in the global markets. Four options have been widely used by banks to enter global markets. One option is to enter markets that are similar to the market it is operating in. Such a strategy is beneficial, as entry into such markets is easier for the bank. This is because bank needs to put in less effort in changing its operations or the product offerings. Thus, the bank could extend its operations to neighboring countries like Sri Lanka and Bangladesh. However, the market potential is not good in these markets.

The second option is to enter growth markets by making acquisitions and entering the market on those acquisitions. Such a strategy was adopted by Standard Chartered Bank, which entered the growing Asian and Latin America markets through acquisitions. However, such a strategy needs good financial backing to make and manage acquisitions. The risk is also higher in such strategy as huge capital and effort is involved in it. ICICI Bank is a relatively new entrant in the global market and thus has little experience and knowledge about the global banking scenario. Moreover, it does not have such financial strength.

The third option is to use a successful product or its core competence as a lever to enter new markets. American Express used its traveler cheque and credit card business as a tool to enter new markets. Organizations ride on brand familiarity and the success of its product to expand operations in the market that it entered. ICICI Bank doesn't have any such core competence or a flagship product to take advantage of.

The fourth option is the "follow the customer" approach. In such strategy an organization uses the customer base that consists of individuals who have emigrated from the domestic country and domestic companies that have set up shop in foreign markets. Spanish Banks used this strategy to enter the Latin American markets. As the banks are targeting a familiar target segment the success rate can be high. This is because the customers want to do business with companies they are familiar with. This is more so in the financial services sector. ICICI Bank has decided to adopt this strategy. With a growing NRI population, this strategy can bring in good revenues. The Middle East, the USA and the UK have a large chunk of the NRI population. Many Indian companies are opening branches and manufacturing facilities in various foreign markets. China is the prime destination for many companies. The Bank can get business from this segment also.

Caselet 47

1. Dealers and their staff are the point of contact with the company’s customers. Until recently, they were operating in a protected environment and being more concerned with the volumes they sold, were performing their jobs in a routine manner. The petroleum retailing sector is undergoing rapid changes. The industry is drifting towards an open environment from the government protected environment that existed a few years ago. Competition, not just from domestic players but from multinationals like Shell is increasing, and the pricing is decided by the market, and not the government. This may affect the margins of the company. In such a highly competitive environment, a high degree of customer service can help HPCL to differentiate its products in the market place. With the deregulation of the petroleum sector, it is essential for the company to ensure that their dealers are customer service oriented. The dealers need to manage the outlet independently, and in a more professional way, and their staff should adopt the role of a sales person rather than just providing what customers need. Proper training of the sales force would enable the dealers to become more customer-centric.

Need for proper sales force training also stems from the fact that value added service provides higher margins. While the margin in sale of petrol and diesel is just 1-3%, the margins from value added services such as sale of consumer goods and lubricants are much higher. Thus, through proper training, the dealer's staff will be in a position to sell such value added services to customers.

2. There are five key elements to be considered for the successful conduct of any sales force training program.

Defining the aim of the sales training program: The company has to first decide upon the need for the training program and what it expects to achieve from it. The company should also identify which segments of employees require training. In the case of HPCL, the training of the dealers and their personnel was undertaken to improve customer service, thereby increasing sales and differentiating itself from competition. The company wants to train the dealers and their staff at all its outlets to make them more customer service oriented and to equip them to sell non-fuel products such as packed food items, oil checks etc.

The content of the program: The next step is to decide upon the content of the program. The content varies from company to company, depending upon the needs and abilities of the employees participating in the training program. HPCL wants to impart management skills to its dealers so that they can function more effectively and with little dependence on the company. The company also wants to impart soft skills to the staff working under each dealer to enable them to provide a high level of customer service and to be able to sell value added services to the customers. For this, Metric (who is conducting the sales force training) devised a training program using its "five point delivery" system. This system is based on Esso's 360 degree check.

Training methods: Next, the company has to choose the appropriate training methods. There are various training methods that are widely used. These include, lecture method, personal conference, role playing, case discussion, on the job training and correspondence training. HPCL used both classroom training methods and video conferencing in its program.

Execution of training program: Finally, the company has to select the prospective trainees, identify who will conduct the training and where it will take place.

HPCL entrusted the task of dealer training to a third party, Metric Consultancy. The firm has to train the dealers and their staff. In the first phase, 1,500 of its 4,729 dealers and 6,000 of the 20,000 staff were trained. HPCL selected eight centers to train the dealers and 20 centers to train the staff.

Evaluation of training program: There should be an evaluation to analyze the results of the training program and its impact on the trainees. Such an analysis would provide useful inputs for training programs conducted in future. HPCL has a separate agency to evaluate the results of the training program. The agency has conducted audits at the outlets to measure the impact of the training on the employees.

Caselet 48

1. During the 1990's, national players like Onida and Videocon opened exclusive outlets, but the outlets had to be closed down due to poor response from consumers. There were various reasons for their failure at that time. The concept of exclusive outlets was ahead of its times. Since there were only a few players in the consumer durable market and just a limited number of models, multibrand stores were able to stock all the models available in the market. Thus these exclusive outlets failed to attract the customers.

Consumers too had less awareness about different products. They were more concerned about getting value for their money. Their expectations in terms of service and quality of the product was low and so, they showed little preference for particular brands or service. Multi-brand outlets, therefore became the preferred destinations for these customers even though the service was not up to the mark.

Consumers' perception of the brands was another factor that led to the failure of these exclusive outlets. Due to the low awareness among consumers and the poor marketing efforts of the manufacturers, consumers related BPL and Onida with only televisions and Singer with sewing machines, even though they had other ranges of products. This perception led consumers to believe that these outlets would have only a limited range of products.

2. The popularity of exclusive outlets now is due to a change in customer preferences and market conditions. There has been marked change in customer preferences as compared to the 1990's. Customers' expectations have increased substantially. They are also more aware about products and more concerned about the quality and brand of a product. They expect good service while they make a purchase. Such changes have made these exclusive outlets popular. These outlets provide a good ambience, a wide range of products of a single brand, and well-trained salespersons who are able to demonstrate product features more clearly.

Market conditions have also been responsible for the comeback of exclusive outlets. Consumer durable companies now have a wider product portfolio to display and multi-brand stores may not able to exhibit the entire range. Company outlets on the other hand could show the full range. Moreover, with the increase in the number of players in the market, many companies felt that their products were getting lost in the clutter of a multi-brand showroom. Also, the companies were launching high-end products such as home theater systems and high-end refrigerators. These required proper demonstration by a well-trained salesperson and a good in-store ambience, factors that would convince the customers to buy the product. Since these may not be possible in multi-brand stores, manufacturers decided to open exclusive outlets.

3. Single brand outlets have many benefits. Companies can increase brand awareness of their products among customers. With the clutter in the market due to a large number of players, consumers may not be aware about the product range of the company. Through the single brand outlets, the company can display its full range of products, thereby providing a better choice to the consumers. The company can also enhance its brand image through these outlets by providing good service and in-store ambience. Companies that have high-end products in their product mix need a different kind of service as the premium end customers expect a proper demonstration from well trained salespeople under good ambience. Exclusive outlets play a major role in catering to the needs of these high end customers. The revenues from these outlets are also more than from the mutli-brand outlets, as they display products of single company.

But there are certain drawbacks to this model. Offering products for sale through exclusive outlets may give rise to a channel conflict as it may decrease the sales of multibrand stores. Unhappy dealers may respond by refusing to stock company products.

Another drawback is the increase in investments needed to manage these outlets. Although these outlets are mostly managed by franchises, the company's costs increase as it has to pay more to the franchise owner as compensation for not dealing in competing brands. The company also needs to invest in marketing these outlets and training their salespeople.

Another drawback of this model is the increase in inventory for the company. As the company has to display its complete range, it has to carry a larger inventory. This increases inventory costs.

Caselet 49

1. A retailer can benefit from loyalty card programs in many ways, increased sales and loyalty of the customers being two of them. The retailer can also benefit from the aggregation of the purchases made by customers at their stores because of the incentives provided through loyalty cards. The investment required for developing the loyalty card programs is low compared to other promotional activities. At the same time, the program is more effective than other schemes in improving sales and retaining customers. Apart from the increase in sales and number of customers, a retailer can benefit from the information that can be captured from the customers using loyalty cards. Through loyalty card programs, the company can track customer preferences and devise customer-specific offers and schemes so as to increase the buying activity of the customer. Such schemes also increase customer satisfaction, and thereby, the loyalty of the customer towards the stores.

Though there are significant benefits from the loyalty card programs, there are some disadvantages associated with it as well. Since these programs are being launched by a number of retailers, it becomes a challenge for retail organizations to differentiate their program from that of their competitors. Research studies also show that not all customers who are members of the loyalty card programs are big spenders. In fact, the big spenders constitute only a small percentage. Thus the company can lose revenue due to their special offers and schemes to loyalty card members if the program does not lead to an increase in sales as well as spending of each individual member.

2. Loyalty card programs are being carried out by a number of retailers, thus diluting the effect of the scheme as a tool to retain customers and increase their spending activity. In order to differentiate its program from that of competitors, a company has to take several measures. Extending the loyalty program to all customers does not yield much of a result. As the 80/20 rule applies here— where 20% of the customers provide 80% of the profits— extending special privileges to only these 20% customers and building up their loyalty can be the right approach.

A company generally views loyalty programs as offering freebies and discounts. But such offers and schemes can be easily duplicated by competitors. So the company has to go further and should tie up with other non-competing entities like hotels and airlines to offer value added services to its customers. It can extend the benefits and services to the customers at its partner outlets. The company can even provide the customers with the option of redeeming the points at any of its partner outlets.

Generally, a company expects quick results from these loyalty programs. But building customer loyalty is a long-term process. Thus the loyalty programs have to be devised keeping long-term benefits in mind.

A company should have proper systems in place in order to carry out the program effectively. Relevant IT hardware and software can help the company run the program smoothly.

Caselet 50

1. Variety of changes in the domestic and global pharmaceuticals market have led to Ranbaxy's decision to enter the global market. Although Ranbaxy was a major player in the Indian pharma industry it felt that the growth in the Indian market would not be able to support its own growth aspirations. A favorable environment for bulk drugs abroad may have encouraged Ranbaxy to set up operations in countries like USA, Japan, East Europe and Russia. With many blockbuster drugs slated to go off patent very soon, Ranbaxy saw large potential and profits.

The demographics and the size of the US and European markets have also been motivating factor in Ranbaxy's global entry. Entering global markets would enable the company to attain the volumes required to realize its objective of becoming a global player.

2. Ranbaxy knew its limitations and strengths very well. It knew that it did not have the patents for blockbuster drugs necessary to compete with the global majors such as GlaxoSmithkline or Pfizer. Ranbaxy decided to find a foothold in the US generic drug market. It decided to leverage its marketing strengths by marketing a drug sourced from Eli Lilly under its own brand name.

The company strengthened its position in the bulk drug industry by identifying the drugs that would go off patent and developing and marketing them aggressively. Legislations passed in favor of bulk drug manufacturers have also contributed to the success of Ranbaxy in the US. The company's strategy to invest in building brands also paid off well when the generic drug (Cephalexin) got the approval of the US FDA. Since Ranbaxy had invested in building a brand, its product had a ready market as soon as it got FDA approval.

Since it did not have blockbuster drugs in its product range nor the capability and financial resources to develop them, Ranbaxy decided to develop drugs for infections, metabolic disorders, urology, inflammations and respiratory ailments. Major companies had neglected these markets, as demand was less. By developing these drugs the company had a readymade market with less competition. Thus it is clear that Ranbaxy's marketing strategies, rather than the company's product capabilities, were responsible for its success in the global market.

Part C: Applied Theory Questions

The applied theory questions in this section are intended to deepen the student's understanding of theoretical concepts and their practical implications. Students have to apply the theories they've learnt to a wide variety of business situations and come up with innovative solutions to the problems posed.

Part C: Applied Theory (Questions)

1. Identify major differences between the company adopting a philosophy based on a selling concept and the company adopting a marketing concept?
2. A product manager working for a leading automobile manufacturing company commented "The success of a company no longer depends only on its ability to launch innovative products, but it depends on its ability to maintain the novelty of the products by augmenting them frequently." Why are companies increasingly adopting the "augmented product" concept to gain competitive advantage?
3. Many service providers fail to satisfy their customers as they are unable to minimize the gap between the consumers' expectations and the customers' perception of the actual service received. What are the various gaps that an organization should minimize to improve the quality of service delivered to their customers?
4. Many public sector organizations in industries like civil aviation, banking, broadcasting, hospitality etc., have adopted the marketing concept only when the changing marketing environment forced them to do so. What are the factors that drive companies to adopt a marketing concept?
5. The success of marketers depends on how they develop their prospective customers into advocates of their products and services. Explain the customer development process that an apparel retailer like Pantaloons can adopt to develop its customer relations.
6. The CEO of Eastern Furnishings Ltd. felt that by targeting the direct order high-end office furniture market, the company could successfully occupy an emerging niche that other channels of distribution have not been able to target. He asked Ms Kavita Reddy, a dynamic business development executive to develop a marketing plan. What is a marketing plan and what should Ms Reddy include in it?
7. Homeneeds, a manufacturer of sanitary ware and bathroom accessories, plans to conduct a market audit to understand the changing consumer needs, market potential and competitive environment. What is a marketing audit? What are the characteristics of a successful market audit?
8. Indian Knitwear Ltd. wants to expand its presence to other countries like Nepal, Bhutan, and Sri Lanka. However, the CEO of the company wants to be cautious and does not want to commit huge funds to set up facilities in those countries. What would be the best entry strategy that Indian Knitwear can adopt to expand its business? What are the advantages and disadvantages of that strategy?
9. What are the various generic competitive strategies which a firm can use to gain competitive advantage in the market?
10. Why do companies opt for diversification growth? What are the common types of diversification strategies used by companies?
11. Reliance Industries has its presence in various sectors of the economy. Its key businesses are Petrochemicals, textiles (Vimal), telecom services (Reliance Infocomm) and oil and gas exploration. Categorize these businesses using a BCG matrix.
12. Tata Motors is planning to enter foreign markets. What kind of global product strategies can Tata Motors adopt?

13. What is a service? Write the characteristics of a service and their market implication?

14. What are the key trends that are emerging in the natural environment? How can these trends affect a company manufacturing plastic products?

15. Describe key demographic trends that are emerging in India. How can these trends influence the marketers?

16. Usually big industrial product manufacturers try to offer end-to-end solutions to their clients. What are the motives behind such offers, beyond gaining a contract from a business client?

17. What is service intangibility? How can airline companies like Jet Airways add tangibility to their service?

18. Private banks entered the banking business in India in the mid-nineties. Till then public sector banks dominated the banking scene with the reach and trust they enjoyed. As financial products are more or less similar, private banks cannot compete on that front. Thus, private banks used service differentiation to take on public sector banks. What are the main service differentiators? Explain them in the banking context.

19. Suppose you're a marketing manager for imaging products company Kodak and the company is planning to launch a single use camera in India. What kind of segmentation strategy would you adopt for the success of the product?

20. Consumers exhibit different buying behaviour while buying a match-box and a DVD player. What are the different buying behaviours that consumers exhibit while buying different products/services?

21. Race Motors is a leading supplier of automobile parts for international automobile manufacturers. It is now entering the motorcycles market with its new bike named "Zoom". Customers evaluate a motorcycle based on variables like brand, after sales service, fuel efficiency, and price. The Unique Selling Proposition (USP) of Zoom is the price, fuel efficiency, and a sleek design. Being a new entrant, the company has negligible brand recall and a very weak after sales service network. Due to these two drawbacks company could not get the initial push in the highly competitive motorbike market. What strategies can Race Motors use to influence the customer buying decision and increase the demand for "Zoom"?

22. What are the steps involved in the buying decision process for high end products like home theatre system?

23. Business buying decisions are quite different from consumer buying decisions. What are the factors that influence business buying decisions?

24. A new product will not diffuse uniformly in the market. M. Rogers has grouped adopters of a new product into five categories depending upon their readiness to purchase the product and their level of interest in the product. Consider motor bike as an example and explain what the five types of adopters of a new product will do?

25. How can consumer products be classified based on the decision making behavior of the customers? To which category does the digital camera belong?

26. Rohan Pradan, a consumer behavior specialist suggests, "Marketers must pay close attention to the reference groups of their target markets. Marketers must remember when they are creating an image and advertisements for their product that they must keep in line with the reference groups' expectations." What is a reference group and how does it influence a consumers purchasing decision?

27. Coldcel is a leading air conditioner brand in the consumer market. In order to expand its market the company started marketing air conditioners to institutional/business customers, but, the marketing efforts of the company failed to attract institutional buyers. Analysts attributed its failure in the industrial segment to its inability to understand the business buyers purchasing habits. How different is the business buying behavior from that of the consumer buying behavior?

28. Mobility Pvt. Ltd, a Chinese telecom company plans to enter India for the first time. The company plans to launch a mobile phone with advanced features such as a built-in camera, internet access, video recording, and MMS ready in the Indian market. The company has identified professionals and youth as the target segment for this product. The top management has decided to air advertisements that create an emotional connect with the product, since it is a lifestyle product. However, the marketing-in-charge of the company has resisted the move. He feels the company cannot decide upon the promotional campaign without determining at what buyer readiness stage target customers are. What are various levels of buyer readiness that a consumer exhibits?

29. Reebok entered India with the Reebok range (Rs 1300 to 6,500), targeting the high end segment consisting of customers with more than Rs 5 lakh annual income. However, to its surprise, it found that it was not getting enough volumes from the segment. What are the segment characteristics a marketer has to study before choosing a target market segment?

30. Suzuki Motors is planning to launch motorcycles in the Indian market. What are the patterns that a company can consider while selecting a target market? Which option suits Suzuki Motors?

31. Unlike products, patents and copyrights, brands do not have expiry dates. What does a brand convey to its customers?

32. "Branding is about distinguishing yourself from the competition. It is about creating tangible and intangible characteristics that make your offer unique. It is about developing a name and image that can provide quality and satisfaction, whilst at the same time taking account of individual lifestyles and beliefs". As companies increase the number of claims for their brands, they risk a loss of clear positioning. What are the major positioning errors committed by marketers?

33. Bharti Mobile is the market leader in cellular services. Its position, however, is now threatened by Reliance and BSNL. What kind of market expansion strategies can Bharti Mobile adopt to maintain its market position?

34. Explain the consumer information search process in the context of the purchase of a PC by a consumer? How can a PC company benefit from understanding the consumer information search process?

35. Many companies believe that it pays to invest in carrying out research before launching a new product. They do research on new products, in new markets, or among clients, employees, or other groups using a variety of research methods ranging from telephonic interviews to focus group research. What is focus group research? How do companies carry out this kind of research?

36. One major reason for undertaking marketing research is to discover market opportunities but most companies still fail to use it correctly. Highlight the underlying reasons for this.

37. The marketing intelligence head of an MNC held that every competitor has a certain philosophy of doing business, a certain internal culture, and a certain guiding belief. Most competitors fall into one of the four categories. What are these categories and in which category is Pepsi?

38. What are the various sources from which a company can gather market intelligence?

39. TVS Motors enjoys a good share of the market in the mid size bike segment, with its highly successful Victor model and remodeled Fiero. The activity at the lower end and at the higher end of the motor cycle segment is intense but the company has little presence there. What kind of line stretching can the company undertake?

40. HLL has pruned its product mix from 110 brands to 30 power brands. Similarly, in the USA, in the early 1990's, Colgate Palmolive had 31 variants of *Head and Shoulders* and 52 variants of *Crest*. Subsequently the variants of *Head & Shoulders* were brought down to 15 and those of *Crest* were reduced significantly. Such efforts led to the improvement in sales for both companies. What are the various disadvantages of managing long product lines?

41. A majority of the new products fail in the market. What are the underlying reasons for the failure of new products?

42. Zentech Computer Systems Ltd. has a 24 member R&D team which works on developing various new hardware and software products. The company entrusts the new product development responsibility to dedicated managers and teams. What are the ways in which new product development programs can be organized?

43. Changing customer needs and preferences, new technologies, shortened product life cycles and increased competition force companies to look out for new product ideas. What are the sources that aid companies in generating new product ideas?

44. Hero Honda has relaunched its flagship brand Splendor as Splendor Plus with new styling and minor changes in the product. What are the various types of new products? Is Splendor Plus considered a new product?

45. JVC Industries is a leading industrial group. It recently decided to enter the booming retail industry by setting up a hypermarket in Hyderabad. What are the major decisions JVC should take relating to the retailing mix of the new hypermarket?

46. Mahindra Eco Mobiles Ltd, part of the Mahindra group of companies, is planning to extend test marketing (first tested in New Delhi) of the `Bijlee', a 10-seater zero emission three-wheeler electric transit van to many cities like Agra, Mumbai and Coimbatore. Why do companies test market their products? What are the various methods used for test marketing?

47. South Indian cities have been the test marketing sites for various FMCG companies. Coke has test marketed its soft drink concentrate Sunfill in Hyderabad, before it was rolled out nationally. Similarly HLL's candy brand Max has been test marketed in Chennai. What are the key criteria for selecting a test marketing site? What can be the reasons for companies to choose south Indian cities as test markets?

48. Raymond has recently launched the "Be" range of women's western wear in the market. Difference stages in the product life cycle require different types of channels. Identity the relevant channels that need to be used as the "Be" range moves into different stages of the product life cycle.

49. Bajaj Chetak, once the best selling scooter for Bajaj Auto, is in a decline stage with shrinking sales and changing customer preferences towards motorcycles. What are the strategies that Bajaj Auto can choose to revive the sales of Bajaj Chetak?

50. Describe the stages that a product passes through according to the product life cycle. Design an appropriate marketing mix the company can adopt to promote its product at each of these stages.

51. Hindustan Motors' popular product, the Ambassador, is showing signs of a product in the decline stage. Sales have declined to 2000 units and production costs have increased. What are the possible ways to eliminate the product if Hindustan Motors so desires?

52. Tata Motors is launching its Indica car in global markets. What are the various brand name choices that Tata Motors has? What is the appropriate option for the company?

53. 'Growth potential for FMCG brands was more in the downtown suburbs rather than the urban metros and rural areas.' Comment on the emerging market scenario in India for FMCG products and discuss whether FMCG companies need to shift their focus on the suburbs in the future. What marketing strategies should they use to capture the subarban markets?

54. Natura Products Ltd., manufactures and markets various cosmetic products. It plans to launch a new fairness cream for the mass market. The company has to determine the price at which the product has to be sold. What are various steps involved in determining the price?

55. S.G Motors is a manufacturer of high-end motor bikes in USA. But with the recession in the economy, the company's sales have declined gradually. What pricing strategies should the company adopt to keep up the sales?

56. After two years of research Gillette launched a new shaving razor (Vector Plus) specifically designed to suit Indian needs. The product has a lever which can be used to push out the hair stuck in the razor. This decreases the need for running water, which is a rarity in many Indian cities. The product was targeted at twin blade razor users and the masses which use conventional double edged blades that constitute 90% of the blade & razor market. What kind of pricing strategy should Gillette adopt to make double edged blade users switch to Vector?

57. Hewlett Packard is a leading PC manufacturer. Its SOHO (Small office Home office) product line consists of PCs, printers, scanners, digital cameras, handheld devices, and DVD writers. The company felt that it would be profitable to fix prices for the entire product mix rather than for individual products. What are product-mix pricing options that are open to HP?

58. Cellular companies offer various schemes to their pre-paid and post-paid customers. Though these schemes offer the same service mix including talk time, SMS, etc. the charges differ. What kind of pricing strategy have Cellular companies adopted?

59. Dell captured a large share of the low-end printers market within few months of its launch. This was achieved by slashing prices. What should HP, a market leader in the printer segment do in response to such price changes?

60. Kinetic Motors is a new entrant in the motor cycle segment. Since, all the players in the industry are launching similar models the market has become more price sensitive. What kind of pricing strategy should Kinetic Motors adopt to make early gains in the market?

61. Confectionary manufacturers Cadbury and Nestle are launching their products at three key price points — Rs 2, Rs 5 and Rs 10. Cadbury's products - Dairy Milk, Fivestar and Perk are available for Rs 5 as well as Rs 10 and Choki at Rs 2. Nestle's KitKat and Polo are priced at Rs 5 and its ChocoStik at Rs 2. Discuss the reasons behind the selection of such price points.

62. Meritum Public School plans to promote its educational services to attract the best students. Who should be the major focus of Meritum's promotional campaign? What role do prospective students' parents play in the decision of admitting them into a particular school?

63. Assume you are a logistics manager for GE Medical Systems, which manufactures high-end mission critical diagnostic equipment. What are the key market-logistics decisions you have to take on behalf of the company?

64. Often marketers place advertisements showing satisfied customers and their comments. Why do organizations create such advertisements?

65. Meridian, the Italian furniture major, which operates showrooms in twenty major cities across India, plans to launch a major advertisement campaign to boost its brand image and sales. What media should Meridian consider for unfolding its ad campaign? What are the advantages and disadvantages of using each of the major media?

66. What specific factors are to be considered while setting an advertising budget?

67. Telebrands is a leading teleshopping network that sells a wide range of products by airing informative advertisements on major television channels and accepts orders through its toll free lines and mail. Explain the communication process taking the example of an advertisement for fitness product of Telebrands that is being aired on television.

68. In a bid to attract domestic travelers, Prima Airways has slashed its airfares and started advertising in various media like television, print and the Internet. As a result, its revenues increased by 10% over the previous quarter. Now Prima wants to measure the effectiveness of its advertisements. How can it do so?

69. Many organizations across different industries are spending huge amounts on designing and implementing various loyalty programs and schemes. Why do organizations spend money on loyalty programs? What are the various tools used by organizations to build a long-term relationship with their customers?

70. AMP Bhima Limited, a leading insurance company has just launched Subiksha - an insurance product that provides triple benefits. These are a Rs 10 lakh life cover, a cash payment every five years over a 20 year period, and the option to add a child protection plan to the policy for an additional annual premium of Rs 4000. What human needs does this product satisfy? What type of promotional campaign should AMP Bhima Limited use to market its products?

71. Danvantri Pharmaceuticals Ltd. manufactures and markets a range of prescription drugs and healthcare products. At present, the company supplies its products to government hospitals. However, the agreement with the government is to expire in December 2004. The company plans to start marketing its products to the public. What communication channels should the company use to promote its products?

72. Hyundai Motors' Santro has become the leading brand in the highly competitive compact car segment within a short span of time. The model was well received by the customers and its sales have shown a continuous uptrend. It has overtaken Maruti Zen (which was the market leader for 11 years) as the market leader. However, Tata Indica and Fiat Palio are fast gaining market share. Maruti is planning to re-launch its Zen model with a new design and promotional campaign. In such a context, how do you view Hyundai Motors' move to re-launch its Santro with few changes in design and new brand name - Santro Xing.

73. HSBC promotes itself as the "World's local bank". What kind of strategy has it adopted?

74. S.G Foods, a leading manufacturer of masalas, ready-to-eat food products and pickles, in India wants to launch an iodized salt brand 'Mr. Cook' in the market. What kind of promotional strategy should it adopt in a market where there are well entrenched brands like Tata, Dandi, Annapurna and Captain Cook?

75. J.K Cosmetics is a leading cosmetic products company in India. It is launching a new fairness cream branded as Radiance. What consumer sales promotional tools will be useful for the company?

76. What are the various public relation activities that a company can undertake in order to establish its image as well as to promote the products?

77. As part of a team responsible for marketing life insurance products in the newly opened Indian insurance industry, what kind of advertising and promotional strategies would you follow to increase market share and stand out of the crowd?

78. The marketing communicator of a reputed ready-made garment manufacturer has been asked to design a promotional campaign for a high-end fashion garment range. What kind of appeal should s/he create in the message?

79. Silicon computers manufacture peripherals like scanners, UPS, keyboards and mouse. Due to increased competition and decreased product differentiation advantage in the PC market, Silicon computers wants to use the push strategy to market its products. Which trade promotion schemes can Silicon computers adopt to motivate its channel partners to push the products to the end consumers?

80. In the recent past various companies have faced crisis situations. Cadbury, Coke and Pepsi have faced allegations relating to product safety and the impact of product consumption on the consumer health. In such situations what kind of public relation activities need to be undertaken by a company?

81. The success of Frooti and Chik Shampoo has largely been attributed to their innovative packaging. What is packaging? What are the reasons behind the growing importance packaging as a marketing tool?

82. What are the major decisions a Public Relations Officer (PRO) for a reputed BPO company having major clients in USA has to take?

83. "Producers vary greatly in skill in managing distributors". They draw various types of powers to elicit co-operation. What are the different types of powers used by the producer?

84. Cavin Care introduced Chik shampoo in sachets in late 1980's. The strategy succeeded and brought about a major change in the distribution of consumer products. Now every FMCG company has adopted sachets. What are the reasons behind its adoption?

85. Baskin Robbins sells ice creams through a few exclusive franchise outlets, while Kwality Walls sells its products through a large number of outlets. What are the various distribution strategies that companies adopt? What are the merits and demerits of the distribution strategies followed by Baskin Robbins and Kwality Walls?

86. GK Industries is an industrial parts manufacturer whose products are distributed through a network of dealers spread across the country. A recent decision by the company to use the Internet as another channel has not gone down well with the dealers. They see this move by the company as direct competition to them and have threatened to break links with the company. Suggest ways to resolve the conflict?

87. BFL Industries Ltd, a leading player in horticulture, markets its Blossoms brand of exotic flowers through various florists located in Hyderabad and Bangalore. It distributes directly to departmental stores and up market retail outlets, thus adopting a single tier distribution channel. Now the company plans to enter the lucrative Mumbai and Delhi markets. It is deliberating on whether to extend the single tier channel in these markets or to develop a distribution network by appointing distributors. List out the various advantages and disadvantages of using single tier and two tier distribution channel systems. Which option would you suggest to BFL Industries Limited?

88. Wholesalers play a major role in the distribution network of a company. They perform functions like order picking, warehousing, financing and distribution. What are the types of wholesalers that a company can employ to distribute their products?

89. The South Indian state of Andhra Pradesh has a sizable population of artisans who manufacture ethnic wooden toys. Recently, an NGO helped them form an association and encouraged them to redesign their toy models to appeal to the western markets like USA. However, the artisans' association does not have the capability to export their goods abroad. What type of marketing intermediaries can help artisans export their goods?

90. Recently HP took over its competitor Compaq. Do you foresee any channel conflicts due to the merger between HP and Compaq?

91. Cleanex Ltd. is one the biggest manufacturers of soaps and detergents in South India. It supplies these products to many FMCG companies who market them under their brand names. Encouraged by the vast market for personal care products, Cleanex plans to launch its own range of personal care products under the brand name 'Sohanna' (a Sanskrit word meaning "beautiful"). The company plans to use the direct marketing channel to launch its products. What are the various direct marketing channels available to the company?

92. Who are wholesalers and how are they different to retailers? What are the various functions performed by a wholesaler?

93. Raj Malhotra, a senior manager at Paper Boards India Ltd (PBIL) is responsible for the dealer policy management of PBIL. What are the policy decisions that Raj has to take in the area of dealer management?

94. What are the sales force structures that are widely used by marketers? Suppose you are a sales manager for New Chip computers Ltd., which is into hardware, software and IT consulting services. Which sales force structure would you choose?

95. Many companies set sales quotas to define the expected level of performance. But quotas when set at impossibly high levels, produce negative results. How should a company set a sales quota to derive the best from its sales force?

96. Prapul Apparel House is a VEPZ (Visakha Export Processing Zone) based ready-made garment manufacturer and exporter. The company has decided to set up a manufacturing facility at Hyderabad and market the ready-made garments in the south Indian states. How can the company decide on the size of the sales force and the design of sales territories?

97. There is great hype about online marketing. Several FMCG companies have also entered the online market to sell their products. In what ways does the seller benefit from online marketing?

98. Analysts claim that E-commerce benefits customers more than sellers. What are the reasons behind such claims?

99. India is one of the first countries to devise an internet policy aimed at providing a favorable environment for e-commerce. However, e-commerce has not taken off as expected. What are the reasons behind the slow growth rate of e-commerce in India?

100. What are ways in which a company can influence personal communication channels?

Part C: Applied Theory Answers

Each question can be answered in a variety of ways. Students should be able to come up with reasoned answers that reflect their knowledge of theoretical concepts and the current business environment.

Part C: Applied Theory (Answers)

Answer 1

The focus of an organization adopting a marketing concept differs from that of an organization practicing the selling concept. The marketing oriented organization set its goals based on the needs and wants of the target customers; hence, it has an outward focus. The selling oriented organization sets its goals based on the organization's needs; hence, it has an internal focus. The nature of business development also differs. A marketing oriented organization aims at achieving profit through satisfying the customers and a selling oriented organization aims at achieving profits through gaining higher sales volumes. A marketing oriented company achieves its goals by using an integrated marketing approach and a selling oriented company achieves its goals through intensive selling and promotion.

Another difference is in the way the customers are targeted. A company following a marketing philosophy targets those customer segments whose needs can be satisfied by its products. A company following a selling philosophy targets every customer irrespective of their needs to gain short-term sales.

Answer 2

An augmented product can be defined as a product that is enhanced by additional benefits or services. The product consists of not only the core benefit or service, but also related benefits like additional warranty, free maintenance service and image. There are various reasons that companies opt to augment their products very frequently. With advancement in technologies and easy dissemination of information, competitors are easily replicating innovative products and thereby nullifying the differential advantage of the innovator. Increasing customer expectations is another reason for the companies to follow the "augmented product" concept. Increased awareness and a wider choice of products have increased customer expectations. Today, customers expect something beyond the usual attributes and performance of the product. With companies offering similar products, customers are confused about the product choice. Thus, a company tries to augment their product to standout. By offering an augmented product, marketers can make the customer perceive an added value in the product.

Answer 3

Customers expect different levels of service from different organizations. For example, the level of customer service expected from a fast food outlet differs from that of a restaurant at a star hotel. Therefore an organization should understand customer expectations and deliver the service in a way that matches these expectations. Some of the gaps that an organization should minimize to improve the quality of service delivered to their customers are:

Gap 1: Consumer expectation-management perception gap. This gap arises as service marketers may not always understand what consumers expect in a service. This type of gap has an impact on the consumer's evaluation of service quality.

Gap 2: Management perception-service quality specification gap. This gap arises from the fact that many service providers fail to set appropriate service standards required to deliver the service expected by the customer.

Gap 3: Service quality specifications-actual service delivery gap. This gap results from the employee's inability to deliver the service according to the set standards. This may be due to unclear standards or due to lack of empowerment.

Gap 4: Service delivery-external communications gap. This gap arises due to poor external communications that affect consumer expectations about a service and his perceptions of the delivered service.

The above four gaps together form the service gap.

Answer 4

Public sector companies have been operating under the protected environment until now. Some companies have enjoyed monopolies in their segments. However, that has changed with the opening up of the Indian economy and changing customer preferences.

Gradual decline in sales is one of the reasons that prompt a company to adopt the marketing concept. Most of the public sector companies, which enjoyed good sales during the pre-liberalization period, started experiencing decline in sales. This prompted them to analyze their marketing mix and understand the market environment better.

Another reason for adopting a marketing concept is the changing customer preferences. With rapid change in customer preferences, companies are forced to understand the customer needs and track the changing preferences periodically. With more choice and better awareness, Indian customers' needs and expectations are changing. Public sector companies were not able to cater to the changes with their business approach. Hence, these companies are adopting the marketing concept by understanding the customer needs and developing products accordingly.

Another reason for the adoption of the marketing concept by public sector companies is increased competition. The opening up of the Indian economy and the entry of MNCs into India has made the market highly competitive. Public sector companies found that they would perish if they failed to bring in market orientation into every aspect of their business. Thus, many public sector companies like LIC, SBI, and Indian Airlines are adopting a marketing concept to counter the onslaught of the private players.

Answer 5

A customer development process begins with the company looking for suspects. Any potential customer who is expected to buy the products/services of the firm is viewed as suspect. For Pantaloons, every consumer who is considering the purchase of a garment is a suspect. Out of these suspects the company should identify the prospects that are interested in purchasing the goods sold by them, and are in a position to pay for the goods purchased. Other suspects that do not match the needs of the company are rejected and are known as disqualified prospects. Disqualified prospects consist of either those who have poor credit status or customers who will not be profitable for Pantaloons. Since Pantaloons caters to middle class and upper middle class customers, its focus should be on the needs of these customers. It can reject the lower-income group customers who do not have the ability to pay and are unprofitable for the company. The company needs to satisfy the qualified prospects in order to convert them into first time buyers and subsequently repeat customers. Thus, Pantaloons should offer good quality garments at reasonable prices for the value conscious middle class customers. It can encourage the customers to make repeat purchases through better customer service and a good ambience inside the stores. Since these customers also patronize competitors, Pantaloons should try to convert the repeat customers to clients by providing personalized service. The next step in the customer development process is to convert clients into members. Pantaloons can do this by offering loyalty cards that offer special privileges to customers who make frequent purchases. These members, satisfied by the service and the product, may become advocates and spread a good word about the company to other people. The final step in the customer development process is to convert the advocates into partners. The partners and the company can work jointly towards mutual goals. Developing the customers to this stage is very important with industrial customers and not applicable to Pantaloons.

Some customers stop buying from the company due to reasons such as dissatisfaction and transfer to other locations. These customers are referred to as inactive customers. They can be easily wooed back to the company. Strategies adopted to regain such customers are known as win-back strategies. Pantaloons can search its customer database and identify those customers who have not shopped at their stores for a long period. These customers can be offered special schemes to bring them back to their stores.

Answer 6

Marketing plan is the blueprint for marketing personnel to achieve product level goals. It guides the company in achieving those goals. The following are the usual contents that Ms Reddy should include in a marketing plan.

Executive summary and table of contents: The plan starts with an executive summary and a table of contents. The executive summary contains a brief description of objectives, recommendations to enable achievement of those goals. It seeks to provide senior management, who face time constraints, a quick idea of the marketing plan. The table of contents follows the executive summary.

Current market situation: The next section should contain the current market scenario, which includes information regarding the furniture market size, competitors, costs involved, legal and regulatory issues such as use of wood or environmental friendly material, total sales and consumer preferences etc.

SWOT analysis: The next section should provide SWOT analysis of the company based on the current market analysis given in the previous section.

Objectives: The plan should then specify the marketing and the corresponding financial objectives of the company.

Marketing strategy: This section consists of the plan to achieve the said objectives. However, before developing the strategy, the marketing manager must hold discussions with finance, manufacturing, purchase and other departments to make them aware of the plan and also because the marketer needs to understand their limitations. As Eastern Furnishings uses the direct sales route, marketer should also hold discussions with the sales department before formulating a plan.

Action program: Based on the marketing strategy a clear cut program is developed. The program will have a detailed description of the action required to attain the said objectives.

Projected profit and loss statement: The action programs require financial support and this is described here. The budget for the action programs is determined and the revenue from the forecasted sales based on the average price and the expenditure to be incurred in achieving those sales, such as cost of production, marketing and promotion of the products are calculated in this section. Finally the profit i.e., difference between the revenue and the expenditure is also calculated.

Controls: The final section of the marketing plan contains the various controls that are to be adopted, to track and measure the progress of the plan. The monthly or quarterly targets and the budgetary allocations are developed in this section. This is for the use of senior management in reviewing the progress of the plan.

Contingency plans that are to be implemented in case the plan faces adverse conditions like natural calamities, price wars, change in government regulations, are also provided in this section.

Answer 7

A marketing audit includes the periodic review of marketing policies, strategies and tactics with a view to assess their appropriateness to the prevailing and future marketing conditions and opportunities. A marketing audit is mainly used to monitor and control marketing performance. A good marketing audit should be comprehensive, systematic, independent and periodic.

Comprehensive: The audit needs to be comprehensive in order to identify the exact problem or opportunity. Conducting audit on one or a few marketing functions will not give the desired results. It needs to cover all the marketing functions and even audit the macro environment factors such as competitors, consumers, socio-legal environment etc. The broader the audit, the easier it is for the company to identify the problem.

Systematic: A company can get best results from a marketing audit only when it is done in an orderly manner. The company needs to institute an audit system that guides the auditor in conducting the audit systematically.

Independent: Another key attribute of a good marketing audit is that it should be free of bias. An audit by an external consultant will give a more unbiased view than one conducted by internal people. That is why companies most often hire outside consultants to conduct audits.

Periodic: A marketing audit should not be a one-time affair. As market conditions change rapidly, periodic audits help the company to track changes. Quarterly or half-yearly audits are suggested.

Answer 8

Licensing is one of the easiest options available for Indian Knitwear to enter the international markets without huge financial commitment. Indian Knitwear needs to grant a license to a foreign firm to use its trademark, manufacturing process, patent or a trade secret. In this way, Indian Knitwear can enter the foreign market at little risk while the foreign firm gains expertise and has the opportunity to leverage the brand name and know-how of Indian Knitwear. For example, Seagrams has given license to Seagrams India to use its brand and manufacturing process.

Although licensing presents an easy way to enter a foreign market, it is not without its disadvantages. The firm giving the license (Indian Knitwear) does not have as much control over the firm to which it grants the license (foreign firm). It also has the disadvantage of creating a potential competitor after the license contract expires. The licensee, having mastered the technology or process during the contract period can set up its own independent facilities and become a competitor. To counter such moves by the licensee, Coca-Cola, uses proprietary ingredients and components in its products. However, the best way to deal with this threat is to lead in innovation, thus making the licensee depend on the licensor in the future.

License contracts are of different kinds. Hotel and restaurant chains often have management contracts by which they manage a foreign hotel property and pay a fee to the owner. In the manufacturing field, licensing involves the outsourcing of manufacturing functions to local manufacturing firms. It provides an opportunity for the manufacturer to produce its products faster and with less risk. Later, the manufacturer might form a partnership with the local manufacturer. However, this type of licensing also has some drawbacks. The company does not have much control over the manufacturing processes of the local firms and has to forgo the potential profit it could earn by manufacturing those components independently.

Answer 9

According to Michael Porter, a firm's strengths can be classified under one of the two categories, cost advantage or differentiation. Based on those strengths the firm adopts three generic competitive strategies-Cost leadership, differentiation and focus.

Cost Leadership Strategy: A firm adopts this strategy to make use of its cost advantage. By adopting this strategy it seeks to become a low-cost manufacturer in the industry. Firms which follow this strategy either sell goods at average industry prices to earn higher profits or sell the goods below the industry rates so as to capture a larger share of the market.

Being a low-cost producer, the company can manage to retain profits even during a price war but its competitor may not be able to sell the goods profitably at that price and hence incur losses. The price of the product declines as the industry passes through maturity and decline stages. Even during that period the firm can retain profits if it produces the goods at a lesser cost.

A firm can ensure cost leadership in several ways. It can be achieved by efficiency in operations, outsourcing unproductive operations, sourcing raw material from cheaper sources or by eliminating costs completely. If the competitors are not able to match the firm's cost structure, the firm will enjoy competitive advantage in the form of cost leadership. However, continuous financial support is required to establish productive assets, to maintain the advantage.

Certain risks are associated with this strategy. The cost structure can be easily replicated by competitors. With better access to the latest technology and experienced personnel, competitors can easily match or surpass the firm's production capabilities and dilute its competitive advantage.

Differentiation Strategy: Differentiation strategy refers to the firm gaining competitive advantage by differentiating its product or service from that of its competitors. This is done by adding unique features to the product. Customers then feel that they are getting greater value for their money. This also enables the firm to fix a higher price. Due to the product's distinct features, the increase in production or marketing costs can be covered by an increase in price. Customers may be willing to pay the extra price because they feel that the product is different and better than the others in the market.

Focus Strategy: Under this strategy, a firm tries to achieve competitive advantage by focusing on a specific segment. It may either follow a cost advantage strategy or differentiation strategy within the segment. The rationale behind this strategy is that — a specific segment can be serviced better than the whole market. By following this strategy a firm can gain strong customer loyalty. This loyalty can restrict the entry of competitors into that segment. The volume achieved by adoption of this strategy might be low but the firm can gain a better margin by providing customized products and services.

The risks involved in this strategy are that it may be imitated by competitors and changes may occur in the target segment. A competitor who targets the entire market can easily modify his product to match the requirements of customers of a specific segment.

Generic Strategy Mix: As these three strategies are not compatible with one another, a firm should try to follow any one of these. For example, if a firm follows the differentiation strategy by providing high quality products, it should not shift to cost leadership strategy. Such a shift will either cause a decline in quality or change customer perception about the product. Customers may consider it a low quality product. Thus, from a long term perspective Porter suggests that a firm should stick to a particular strategy.

Answer 10

Companies diversify for two key reasons-To grow in the market by leveraging their strengths or to enter areas that offer attractive growth opportunities. Companies adopt three key diversification strategies-Concentric diversification strategy, horizontal diversification strategy, conglomerate diversification strategy.

Concentric diversification strategy: Concentric diversification is a strategy in which the company develops new products making use of its present technical and marketing capabilities. These products are targeted towards a new set of customers.

Horizontal diversification strategy: Horizontal diversification involves companies developing new products, which require technical and manufacturing capabilities different to the existing capabilities. These new products are targeted towards the segments that the company already serves.

Conglomerate diversification strategy: Conglomerate diversification involves the company entering new businesses that are completely unrelated to the company in terms of technology, target markets, and products.

Answer 11

The BCG matrix is a growth-share matrix that helps a company analyze its business portfolio. It consists of four categories (cells) - Question Marks, Stars, Cash Cows, and Dogs. The Boston Consulting Group (BCG), a top management consulting firm, has developed and popularized this model.

Question Marks: This cell consists of businesses which are in high-growth markets but have a low share of those markets. In order to survive, these businesses require large amount of capital. They also need to plan their moves if they are to establish their hold in the market and become the market leader. Question marks refer to the parent company's dilemma as to whether it should support these businesses or not. The gas exploration business of Reliance falls under this category, as it is in the high growth market. Further, the business requires large amount of capital for exploration activities and has not proved very successful.

Stars: This category consists of businesses which have established a hold in high-growth markets. A business moves from the question mark category to the star category when it gains success in the market in which it operates. However, these businesses may not secure enough profits to the company and it has to provide support in terms of money and guidance to protect the business from competitors. Reliance Infocomm is a star as it now has over 50 lakh subscribers and is giving a tough fight to market leader Bharati mobile. The government's decision to introduce unified telecom license will remove the regulatory constraints being faced by the company.

Cash Cows: This category consists of those businesses which have high share of a market that has an annual growth rate below 10%. These businesses secure high profits for the company. As the business has a high market share and the growth rate of the market in which it operates is low, the company does not need to increase the capacity of the business. Because of its dominance in the market and its economies of scale advantage the business provides high profit margins to the company. Money generated from cash cows are used by the company to feed its other ventures. Reliance Petrochemicals is a cash cow. It is a market leader in the petrochemical industry and enjoys economies of scale advantage. However, the growth rate of the petrochemical industry is on the decrease and therefore, prospects of this business does not appear bright. This is because a petrochemical business is commoditized, which reduces the low cost advantage that Reliance has enjoyed. Competition has also increased in this industry. To retain its market share the company is infusing fresh capital into this business. It is also making acquisitions to consolidate its position. Recently it acquired Indian Petrochemicals, a public sector company. If the company's efforts to protect its cash cow's dominance in the market fail, the business may become a dog.

Dogs: This category consists of businesses that have low market share in low growth markets. These businesses make low profits or in the worst case make losses. The parent company has to study the viability of these businesses and take necessary action. It may continue to support these businesses either because it expects the market to revive, which in turn will help the business to turnaround or it shares a special bond with the business. The Reliance textile division is a dog because it has a negligible share in the textile market. Reliance may be carrying on this business because it expects the market to revive. Another reason may be that, since it is one of the first businesses Reliance diversified into in the late seventies, it shares a special bond with the business.

Answer 12

There are three types of product strategies for a global market.

Straight Extension: Under this strategy, the company launches its product in the foreign market without making any changes. It tries to look for markets in which the product has demand. For example, a European mobile phone manufacturer can launch its products in India as Indian service providers use similar technologies. Though in the short term this strategy will give quick returns, in the long run, the company will be able to survive only if it launches new products that cater to the emerging needs of the customers in that country. Tata Motors can launch its products in Africa and Latin America where similar conditions prevail.

Product Adoption: Here, the company launches the product with modifications to suit local conditions. For example, Fast food retailers McDonald's and Dominos have altered their menus to suit Indian tastes. Tata Motors can modify its products to suit the conditions of the foreign markets they enter.

Product Invention: Under this strategy, the company develops a completely new product for the target market. For example Ford Motors developed Ford Ikon model specifically for the Indian market. Tata Motors can develop models to meet the needs of the target market.

Answer 13

Service refers to the performance that one party can offer to another. It is essentially intangible and does not result in the ownership of anything.

There are four key features that differentiate service from a physical product: intangibility, inseparability, variability, and perishability.

Intangibility: Service cannot be seen, touched, heard or tasted before purchase and so it is intangible. A patient cannot forecast the result before taking treatment from a doctor; a client cannot know the outcome before hiring an advocate to argue his case. Thus customers look at elements associated with that service such as people, communication material, logos, price, and infrastructure to gauge the service quality.

So service providers need to reduce the intangibility of the service, by providing tangibility, like a good ambience, equipment and quality certifications.

Inseparability: Services are typically produced and consumed simultaneously. On the contrary physical goods pass through various levels before reaching the hands of the consumer. The product is held as inventory, distributed to the dealers and wholesalers, and stays on the shelves for some time before the consumer picks up the product. However, the service provider is directly involved in providing the service to the person who sought the service, so, he and the service are inseparable. When the service is produced, both the client and the service provider are interacting with each other. Thus both the provider and the client are responsible for the outcome.

Variability: Due to the nature of inseparability, there is variability in service. The performance of the service varies with the change in the service provider. The service business is highly people -intensive and so the variation in performance. The service quality also depends on the time at which it is rendered and the location at which service is provided.

Perishability: Since service is produced and consumed simultaneously, it is a perishable good; it cannot be stored to meet a future demand. For example, 50 percent of the service capacity of Jet Airlines ceases to exist once its flight takes off with only 50 percent occupancy.

Answer 14

There are four key trends emerging in the natural environment -

Shortage of raw material: The shortage of raw material is one of the key concerns for many businesses. In some countries, the shortage of water is severe. The forest cover is depleting at a fast rate. This may lead to shortage of raw materials such as timber, agricultural produce etc. Thus, companies dependent on forest resources need to undertake afforestation activities to reduce the ecological imbalance in the future. As agricultural land is being developed into urban areas, people may face shortage in food supplies, as lesser land would be available for cultivation.

Non-renewable resources like coal and petrol are becoming scarce. This may lead to an increase in the price of these resources. Companies dependent on these resources for their manufacturing activities will face difficulties. Their production costs will increase, and they may not be able to cover these costs by increasing prices, as the customers may not be willing to buy the products at a higher price.

Increased cost of energy: Non-renewable resources like coal and oil are most frequently used to produce energy. A shortage of these resources may result in increased energy costs. This would force companies to look for alternative sources of energy such as water, wind and solar energy.

Increased pollution: Pollution levels are increasing. Consumer and industrial waste is posing various environmental problems. Discriminate use of chemicals in food production, has resulted in food products containing harmful chemical residues, which pose a serious threat to consumer health. However, such situations also create opportunities for companies to bring in innovative products that address environmental concerns. A company manufacturing plastic products may bring in products that are biodegradable to minimize environmental pollution. Thus, it can achieve a competitive advantage over other competitors by promoting the products on the "environment friendly" plank. It can also undertake various environment friendly measures in its production operations and these efforts can be communicated to the customers to build an image as a socially responsible company.

Government intervention: Government intervention in the natural resource management has increased. With pressure from all quarters, governments are taking various measures to maintain a clean environment. Stringent regulations are being passed in areas concerned with environment, such as emission control norms for automobiles; waste disposal norms for various industries including hospitals; restrictions on use of natural resources such as mines and forests. Governments are getting tough on the use of plastic. This is of a concern for the plastic manufacturing company. It has to keep track of the regulatory changes that are being made. It should also lobby with governments to draft favorable legislations.

Answer 15

These are some of the key changes in the demographic environment of India:

Population growth rate has declined over the past few years due to government's initiatives and the increased awareness among people. However, this trend is not uniform all over India. The north Indian states of Bihar, Madhya Pradesh, and Rajasthan are experiencing higher population growth rates while the south Indian states are showing lower rates. Thus, marketers can alter their marketing mix to suit the needs of each market. As north Indian states have larger families, companies can offer products in larger packs. Automobile companies can market larger vehicles like Multi Utility Vehicles (MUV's).

The increasing mobility of people is another significant aspect that attracts the attention of many marketers. The people in the rural areas are migrating to urban areas in search of better opportunities and facilities. Nearly 30% of the Indian population lives in urban areas and the remaining 70% live in rural areas. By 2030, this is expected to become 50% each.

Another key trend is the shift of urban population living in cities into sub-urban areas. Examples of this are Gurgaon and Noida (suburbs of Delhi) and Navi Mumbai (a suburb of Mumbai). Consumers are showing greater interest to move to sub-urban areas where congestion and pollution levels are less. Moreover, real estate costs are high in city centers; sub-urban areas offer peaceful living at a lower cost. Thus, marketers and retailers can open larger malls in sub-urban areas as there is good market potential and costs involved are less.

Answer 16

There are three types of buying situations that arise in a business environment-straight re-buy, modified re-buy, and new task.

Straight re-buy: This is a buying situation where a business buyer reorders the products on a routine basis without any changes in specifications. Examples include office stationary and standardized parts such as nuts and bolts. The company decides upon the supplier based on the quality of the product. Existing suppliers try to retain the contract by maintaining quality and price. Competing suppliers who want to grab the contract try to identify areas in which the client is dissatisfied with the existing supplier and attempt to address those concerns effectively.

Modified re-buy: This type of buying situation arises when customers reorder products with either a change in product specification, price or payment conditions. This makes the existing suppliers go on the defensive by accepting the terms and conditions of the clients. Competing suppliers try to make use of the situation to gain a contract by offering more than what the client wants.

New task: This is a buying situation where the client purchases a product for the first time. Such a decision involves lot of deliberation and participation of staff at various levels to determine the right product to be purchased. For any company this is the key opportunity to grow business and build long-term relationships with customers.

In this situation clients look for a complete package to avoid the risk of incompatibility of the equipment or services that may arise when they purchase components or services from different suppliers. Buying from a single supplier also reduces the administrative burden of dealing with a number of suppliers. It is also easier to deal with single supplier for complaints and problems.

System selling is a potent marketing tool. It helps the company to gain and retain the contract. By offering a complete package, it can differentiate its solution from that of its competitors. The company will be the preferred supplier for future needs of the customer. Offering end–to–end solutions also helps both the buyer and the seller to adopt modern practices like JIT purchasing and JIT manufacturing. This helps the seller to be a part of the buying firm and work towards developing better parts or packages that are required to meet the future needs of the buyer. Therefore, by providing end-to-end solutions manufacturers hope to develop long-term collaborative relationships with their clients and erect entry barriers to competitors.

Answer 17

Service intangibility implies that a service cannot be seen, heard, tasted, felt before using it. A patient who going to a doctor does not know about the quality of service until he consults the doctor. Similarly, an airline passenger has no idea about the quality of his air travel before buying a ticket and completing his journey.

Since the service in itself is intangible, customers look for other variables surrounding the service to assess the service quality. They determine the service quality by drawing inferences from the variables such as people, equipment, location and its ambience, and price. Therefore, a service provider should try to improve the tangibility of the services using external variables.

Jet airways can add tangibility to its services in the following ways:

Product: It can provide value added services such as meals of the customers' choice, free in-flight entertainment such as magazines and audio-visual entertainment. Using a new fleet may also improve the perceived service quality.

People: It can recruit competent staff to provide better customer service. Since staff act as the contact point for customers, their ability to respond to customer needs may result in improving tangibility of the service.

Equipment: A good ambience can be created at company lounges at airports. In the aircrafts, the company should install ergonomic seats to increase the level of customer comfort. It should use the latest technology and equipment at its ticketing counters.

Communication: Jet airways can position its services on the customer service plank. It can promote its ability to run flights on schedule.

Answer 18

Various service differentiators can be used by service companies to gain a competitive advantage. The following ways are used to differentiate services:

Differentiating offer: Service companies can differentiate their service offers by adding some special features to the offer. For example, a retailer can offer free home delivery for the products purchased while an airlines can provide customized meals to business class travelers.

Free ATM services, home pick-up of cheques and demand drafts, free online banking services, sending account details through SMS are some of the features that can be added to a base product. These features can provide only temporary advantage to the banks, as they can easily be replicated by their competitors. Thus, such differentiation may not provide desired results.

Differentiating the delivery of the service: By differentiating the mode of delivering the service, companies can differentiate their services. This can be done in three ways, people, physical evidence and process. A company can hire competent people and train them properly to deliver better customer service. The company must ensure that its personnel are responsive to the needs of the customers and take care of the individual needs of each customer. Personnel need to understand customer needs and provide service accordingly. They also need to be courteous and patient while providing the service. Banks can use this type of differentiation by making their personnel deliver exceptional service to customers. Bank personnel may understand the financial needs of each customer and then provide customized solutions to them. They can also provide prompt service to customers.

A service company can differentiate its service by creating an attractive physical environment. Ambience forms one of the key cues a customer considers in judging the quality of the service provider. Therefore, banks should provide a good ambience to make customers feel comfortable. They can build facilities with central air conditioning system, luxurious décor and clean surroundings.

Differentiation can also be achieved through process. Processes include the way a customer has to proceed to complete his transaction, how the staff of the company pursue the customer's order and how the work flow is in the company. Customers prefer companies which provide hassle free services. Banks can differentiate in this regard by reducing the burden on the customer. This can be achieved by reducing the number of documents required to be furnished by the customer. The internal processes should also be streamlined to provide quick and efficient service to customers.

Differentiating the image: Service can also be differentiated on the basis of the image. This can be achieved through branding. ICICI bank has been able to build a successful brand image in the minds of customers. The bank roped in Amitabh Bachan as its brand ambassador to enhance its image.

Answer 19

Since the company deals in a product whose sales depend on usage and occasions, behavioral segmentation would be the right approach.

Under this method, the market can be divided into segments based on consumers' knowledge, usage, attitudes, benefits sought etc. One way of behavior segmentation is to group customers on the basis of the occasions on which they buy the product. Thus, Kodak can segment the market on the basis of occasions like marriages, vacation, or festival seasons. As festival and wedding occasions trigger maximum sales of imaging products, Kodak can position its single use cameras for those occasions.

Another way of behavior segmentation is to divide the market on the basis of benefits sought. For example, while selecting a television customers attach varying levels of importance to different benefits (picture quality, sound, value for money, warranty, etc.) delivered by it. Thus, Kodak can segment the market for its single use cameras on the basis of attributes such as easy use, low price and variety. Since a large number of Indian consumers have little knowledge about how to use cameras, they look for cameras that are easy to use. Kodak can target customers who like equipment that is easy to use.

Another way is to segment the market on the basis of the stage of the user. The market can be segmented into non-users, potential users, first time users, regular users. Using this type of segmentation, Kodak can target first time users.

Market segmentation can also be based on the level of usage of the product by the customer. The market can be divided into categories like light users, medium users and heavy users. Since single use cameras are uneconomical for medium and heavy users, Kodak can target the light users.

Answer 20

It is true that customers adopt varied buying behaviors depending on the type of product or service. They exhibit a different buying behavior while buying a match-box and a DVD player because these products differ in value, risk perception, technical details, etc. Therefore different products require different levels of customer involvement when purchase decisions are made. We can divide buying decision behavior into four main categories.

- Complex buying behavior
- Dissonance reducing buying behavior
- Habitual buying behavior
- Variety seeking buying behavior

A customer exhibits *complex buying behavior* when the brands available in the product category he plans to purchase are highly differentiated. Consumers exhibiting this buying behavior are highly involved in the buying process, as the product is expensive, risky or rarely purchased. They are also new to the product category and are not well informed about the attributes that should be considered when purchasing these products. This behavior may be adopted while selecting high value products like cars and furniture, or risky services like open heart surgery.

Dissonance reducing buying behavior is also exhibited when consumers are involved in an expensive, risky or infrequent purchase, but here, the perceived difference between brands is very little. Though customers exhibiting dissonance reduction behavior shop around before purchasing the product, they spend less time in purchasing the product as they see very little difference between the brands available. Customers adopt this buying behavior in order to minimize their post purchase dissatisfaction. Although there are very few differentiating attributes between the brands, there is a possibility that the customer may come across news that a competing brand is offering better benefits. Dissonance reducing buying behavior helps the consumer to reduce the chances of not selecting the best brand available in the market at that particular point in time.

Habitual buying behavior is marked by low consumer involvement. This behavior results from low differentiation between brands. This type of behavior is common while buying low cost and frequently purchased products. For example, if a housewife is used to buying Captain Cook brand of salt, she will keep buying that brand of salt every month out of habit. This behavior results from the fact that the customers do not evaluate the brand against other existing brands.

Variety seeking buying behavior is associated with low consumer involvement but considerable differences between brands that are on offer. Customers exhibiting this type of behavior frequently switch brands as they like variety. This behavior is common among the youth when they buy fashion accessories.

Answer 21

Race Motors can adopt the following strategies to attract customers towards its brand.

Change beliefs about the brand: The company can try to change the beliefs of the customers about its product. Being a new entrant it has low brand recall among the customers. Thus, it can try to highlight its business background as a supplier of parts to world's leading motorcycle manufacturers. This would establish the technical competencies of the company.

Change beliefs about competitors' brands: Consumers may perceive that competitors' models offer higher value than the company's model. Therefore, it can try to change that perception by exposing the shortcomings in the competitors' models.

Change customers' perception about attributes: The company is not faring well as customers consider brand and after sales service as important attributes. The company needs to change customer perception about brand and after sales service being key attributes. Instead, it can convince the customers to look for price and fuel efficiency while buying a bike.

Draw attention to attributes neglected by the customers: can try to draw attention to the importance of styling and looks which is a plus point for 'Zoom'.

Answer 22

A customer buying decision process involves five key steps irrespective of the product or service he buys. However, the time and effort he spends on each steps varies, depending on the nature and value of the product he intends to buy. In this case, a home theatre system is a high value shopping product. Some customers may consider it a specialty product. The buying decision process for this product is given below.

Problem recognition: The first step in the buying decision process is the trigger for the consumer to buy the product. The trigger stem from an internal stimulus or external stimuli. The customer may be motivated to buy the product to satisfy his needs or due to some problems faced by him. External influence such as ads in the electronic and print media, friends, may motivate the customer to buy the product. In this case, as it is a high end product, the customer's lifestyle needs may motivate him to buy the product. He may also be motivated by external stimuli like his friends buying a similar product or he could be attracted by the promotional campaigns related to the product.

Information search: Once the customer has decided to buy a product he will gather information related to the product. He can obtain information from various sources such as from friends and peers who are already using the product; commercial sources like advertisements, dealers or sales personnel. He can also directly walk into a showroom and examine the product for more details. The intensity of information gathering depends upon the product type. If the product is a low-involvement one the information gathering can be minimal while if the product is a high end one, the customer may gather more information. The customer gathers information related to the product category, competing products and their features. He may not gather information related to all the brands that are available in the market. He may gather information about the brands he is aware of (awareness set- Sony, Onida, Philips, LG, Videocon, Beltek). After careful evaluation he may filter out certain brands that don't fit his needs. The remaining brands form the consideration set (Sony, LG, Videocon, and Philips). Finally, the customer may shortlist a few brands, which are termed as choice set, from which he will buy one.

Evaluation of alternatives: At this stage the customer make a thorough evaluation of the product purchase. He views each product as a bundle of attributes with varying ability to satisfy his needs. He gives more importance to certain attributes like quality, price, picture quality etc. Thus, he may select the products that have most of the desired attributes. A consumer also has an opinion about various brands. Based on his preferences for the attributes and the brand image, he forms an opinion about the competing brands.

Purchase decision: The next stage involves the actual purchase. At this stage, the customer may buy the most preferred brand in the choice set. However, there are two key factors that influence the customer before he takes the final decision. They are: Attitude of others and unanticipated situational factors.

Attitude of others has two aspects. They are: Other people's negative attitude towards a brand that the customer has selected and importance given by the customer to the opinion of others. If others prefer the same brand as the customer and the customer gives more importance to the opinion of others, then he will buy that brand. However, if others show a negative attitude and the customer gives importance to their opinion then he will reject that brand.

Unanticipated situational factors include a special discount or an attractive finance option available for a brand; non availability of a particular brand from his choice set; financial crunch. These factors also influence customer purchase decision.

While making a purchase decision four key aspects are considered by the customer. They are: brand, dealer, quantity, and mode of payment. Due to the high investment involved in the purchase of a high end product, the customer may give importance to the opinion of others. He may also buy the product from a reputed showroom with good ambience and reliable after sales service. The payment may be made through cheque or credit card.

Post purchase decision: Customers show satisfaction or dissatisfaction after the purchase of a product. The level of satisfaction/dissatisfaction depends upon the difference between customer expectations and the actual performance of the product. If the difference is less then the customer may be satisfied while if the difference is high then the customer may be dissatisfied. A satisfied customer may make more purchases and speak favorably to others about the product. An unsatisfied customer on the other hand may return the product and speak negatively about it to others. For instance, if a customer is satisfied with the home theater system of Sony, he may consider buying other Sony products in future.

Answer 23

Various internal and external factors affect the business buying decisions. These include macro economic indicators like inflation or company specific factors like organizational culture. Four key factors influence buying decisions in the business environment.

Environmental factors: Business buyers are mainly influenced by economic factors like the level of consumer spending, interest rates, the level of production, the inflation level, and the investment scenario.

They also keep track of technological, political, and competitive environments. For example, if the government bans the import of second hand equipment from other countries, business buyers, who used to source cheaper equipment from foreign suppliers, may have to start buying from local suppliers.

Organizational factors: Organization-specific factors also influence business buying decisions. This may include how sourcing is done (by a centralized department or by individual divisions) and how inventory is managed. For example, Dell maintains minimal inventory levels and hence orders products more frequently.

Interpersonal factors: As a business buying decision involves a number of participants, interpersonal factors also impact the buying decision. Factors such as authority and status influence the buying decision.

Individual factors: As the final decision is taken by a single individual, individual factors will also play a major role in the buying decision process. These factors include the age, family background, education levels and position of the individual. For example, an executive who is in the mid 50's might not accept a product that is based on new technology.

Answer 24

According to Rogers, the new product is not uniformly diffused in the market. Rogers has classified the customers into five groups on the basis of their interest in the product and the level of readiness to buy the product.

Innovators are the first group of customers to buy the new product. These consumers are venturesome and are curious to try out new products. They are independent, have good spending power, are highly educated and the influence of outsiders on them is minimal. They have knowledge of the products and seek information from various sources. Motor bike enthusiasts, may constitute this group. The innovators may place orders when the company opens advance booking for the motor bike. Innovators form a miniscule portion of the potential market.

The customers, who purchase the product just after the innovators have tried it, are known as early adopters. These consumers are less venturesome than the innovators. They are opinion leaders in the community hence they buy the product after careful evaluation. Motor bikes may be bought by the early adopters at the company showrooms where they are launched first.

The next group is the early majority. These consumers are influenced by the opinion leaders and are even closely related to them. They may make the purchase before majority of the people have. They purchase the product from showrooms where it is available soon after the initial launch.

The next group of consumers who adopt the product are the late majority. These consumers are skeptical about the product and are convinced only after a large number of consumers have purchased it. They are more influenced by word of mouth rather than media promotions. The motor bike is purchased by these customers a few months after its initial launch.

The next group of customers who adopt the product are laggards. They are more suspicious about new products than the late majority. They purchase the motorbike only after a majority of consumers have purchased it and certified its performance.

Answer 25

Consumer products are classified under four broad categories- convenience products, shopping products, specialty products, and unsought products.

Convenience products: These products are purchased by the customer frequently and very little time and effort is put into the buying decision. This category includes products like soaps, detergents, magazines, biscuits and chocolates. Convenience products are further classified into staples, impulse products and emergency products. Staple products are those products that consumers buy regularly such as rice, wheat, tea etc. Impulse products are bought by customers due to sudden urge for that product. Chocolates and magazines are examples of impulse products. Emergency products are bought by customers when the need arises. An example is buying a raincoat during the rainy season.

Shopping products: These products are bought by the customers less frequently than convenience products A shopping product is selected only after through evaluation regarding price, quality, performance, and design. Customers collect information and make comparative studies about competing products. This category is further divided into homogeneous and heterogeneous products. Homogeneous products are those products that are of similar quality. Customers try to select homogeneous products that provide value-for-money. For example, household appliances. With heterogeneous products customers look for product attributes rather than just the price. Examples are clothing, furniture etc.

Specialty products: Specialty products have innovative features or a distinct brand image. Customers put in time and effort in purchasing these goods. Examples include luxury cars, and premium fashion brands. Customers are willing to pay the premium for such products and even travel greater distances to obtain these products. Customers gather information as to where these products are available. Marketers of these products need to inform the customers as to where these products are available.

Unsought products: Consumers are not aware of these products or do not think of purchasing these products. Examples include insurance products like domestic fire insurance, tickets sold for a social cause, etc. All innovative products in the introductory stage are considered as unsought products, which customers will come to know of through advertising. Marketers need to advertise these products to educate customers about their qualities.

Initially, digital cameras being new products were considered as unsought products. However, due to its wide availability and decreasing prices, digital cameras have become shopping products. Digital camera should be offered at reasonable prices and should be distributed widely.

Answer 26

According to J.P. Peter and J.C. Olson, a reference group is "one or more people that someone uses as a basis for comparison or point of reference in forming affective and cognitive responses and performing behaviors".

The customer may be a member of a reference group or an outsider to it. Family, friends, peers, trade unions, professional clubs are some examples of reference groups that influence the decisions of a consumer.

A reference group acquires the influence when an individual uses the entire group or a person from that group as a "frame of reference," or means of evaluating various personal aspects. Usually, individuals adopt opinions, attitudes and behaviors similar to those of persons whom they identify with and opposite to those of persons they do not like to associate with. When an individual does not have the knowledge to gauge a product or a service, she/he uses the experience of the reference group or imitates them while making a decision. Therefore, apart from concentrating on the preferences of their target customers, marketers should also try to identify the reference groups that influence target customers. This will enable marketers to design marketing communication that is in line with the expectations of target customers and their reference groups.

Answer 27

Business buying habits and patterns are different from the consumer buying habits. These differences arise due to the nature of the business and the environment in which both the buyers make decisions. Following are some of the characteristics of business buying.

Infrequent purchases: Business buyers make one time or infrequent purchases unlike the consumer purchases. Barring some items like stationery and other administrative items, a major portion of the products are bought infrequently. In some cases such as setting up of manufacturing plants and heavy equipment they make one-time purchases due to high capital investment. Air conditioners for the whole office or factory are more of one-time investment. Hence the business buyer makes the purchase only after careful evaluation. So in order to obtain orders from the business buyers, Coldcel should be in constant touch with the potential customers and run various workshops and product publicity events to make them aware of its products. This ensures brand recall and when the business client decides upon the product, Coldcel will be preferred.

Size of the order: The size of the order in terms of volume and value is much larger than the consumer buying. As the size is larger for both the entities i.e., seller and buyer in the business buying situation, the decision is very significant for both of them. The buyer looks for quality, specification and after sales support before making a purchase decision. In case of Coldcel, unlike the consumer products where the size of the order is small, business orders will be larger. Moreover the business clients require custom made air conditioning solution for their office or factory unlike in the consumer market where the air conditioners are bought off-the-shelf. Also air conditioning products require good after sales support which needs to be established by Coldcel. As business clients are not as price sensitive as the consumers, the company can adopt price skimming strategy, if the product is of high quality.

Several participants in the buying decision: Unlike consumer market where a family head or the buyer himself will take the buying decision, many participants are involved in the business buying decision. This is because of the complexity and investment involved in the buying process. As the size of the order is larger and it is a one time or infrequent purchase that involves huge investment, various personnel are involved in the decision making. The organizational structure and environment is another reason for the involvement of more personnel in the decision making.

Distribution Channels: The distribution channels for the industrial market are different from those for the consumer market. Direct selling is the preferred route for the sellers in the industrial market. In some cases resellers and third party solution providers are the intermediaries through which a company tries to sell the product. Coldcel can use the direct selling approach in this market.

Answer 28

There are six levels of buyer readiness stages that a customer passes through: awareness, knowledge, liking, preference, conviction and purchase.

Awareness: The buyer knows nothing or very little about the brand and the company. S/He may not even be aware of the product category itself. At this stage, the company needs to bring awareness about the product, or try to improve brand familiarity.

Knowledge: At this stage, the customer is aware of the product but does not have exact information about it. Hence, company needs to create advertisements that let customers know about the product's innovative features and performance.

Liking: After the customer becomes aware and gains knowledge of its product, the company needs to create advertisements that make the environment favorable for the product. This can be achieved by undertaking public relation activities, airing comments of satisfied customers, etc.

Preference & Conviction: By building a favorable environment for the product, the company can now make customers develop a preference for its product over other. This can be achieved by highlighting the product advantages over competing products.

Purchase: Even when the customer is convinced about the product performance, s/he may be still hesitant to buy. This may be because s/he is in search of more information or reluctant to buy for reasons like high price. The company can offer special discounts or extra warranties to attract customers. It can send detailed brochures or salespeople to customers to provide more details about the product.

In the case of Mobility, the concept of a camera phone is new to customers, and company is relatively unknown. The company can go for informational advertising that creates awareness about the product and the company, in the first stage of its campaign and then shift to emotional advertising.

Answer 29

Before choosing a segment, a marketer has to find answers to basic questions like-

- Is the selected market segment of considerable size?
- What is the growth prospective of the segment?
- Is it profitable to serve that particular segment?
- Can the firm attract or access the segment?
- Does the firm have the capability and resources to serve the selected segment?

The first criterion for selecting a segment should be the size. The segment should be capable of giving the company volumes and revenue. Generally, a popular segment will give larger volumes than the premium or high end segments. In this case, Reebok may have over estimated the size of the high end segment in India.

The second criterion should be the growth potential of the segment and the likely opportunity for the company to grow with the segment. In a country like India many companies feel the middle class segment is the most promising. Reebok may have expected the high end segment to grow at a high rate due to the increasing number of software professionals and business men earning above 5, 00,000 per annum.

The third criterion is the profitability of the segment. This is what that matters for marketers in the long run. Some segments may be small and have less growth but serving them might bring higher margins and profits to the company. Reebok may have expected that a price range of Rs 1,300 to 6,500 would give them better profits. This did not materialize as the company over estimated the profitability of serving the high end segment.

The fourth criterion is the accessibility of the target segment. For example, a premium range of sports shoes launched by a brand like Bata, may not be capable of accessing high end customers as they perceive the Bata brand to be popular.. Thus, any marketer should consider the accessibility to the segment before targeting that.

The last criterion is internal to the firm. The marketer should carefully assess its strengths and weakness before deciding to serve a market. A company should match its competencies like product know how, technical competence, marketing expertise, distribution network, financial health etc. with the needs and wants of the target market.

Answer 30

Suzuki Motors can select the target segments from a market in the following patterns:

Single-Segment Concentration: By focusing on a single segment, a company can understand the segment more deeply and gain knowledge of that segment, which helps it to identify their needs and develop products accordingly. This in turn enables the company to capture a larger share in that market segment. Due to its concentration on a single segment, a company can gain expertise in that segment and gain economies of scale advantage in production and distribution. As the company dominates the segment with larger market share, it can obtain higher returns. However, such focus on a single segment also has some drawbacks. The segment which the company is catering to may shrink or cease to exist. Competitors may enter this segment resulting in decrease in its market share.

Selective Specialization: A company can focus on two or more segments that appear promising and relevant to the company. Through this strategy, a company can diversify its risk.

Product Specialization: A company can also market a single product or a product line to multiple segments. For example, an imaging products company like Kodak can sell the products to end-consumers and to professional photographers. Kodak specializes in selling only imaging products. By using product specialization, a company can develop a strong brand in that product area. However, the risk associated with this strategy is that a new product or technology may threaten the product's existence in the market.

Market Specialization: In this strategy a company tries to satisfy the needs of customers belonging to a specific market. With such a strategy, a company establishes good reputation in the market it is operating. However, the risk associated with this strategy is the downturn in that particular market.

Full Market Coverage: By this strategy a company aims to cater to all the customer groups with every product the customers might require. Popular examples are Coke and IBM, who cover the complete market. There are two variations in this strategy - undifferentiated marketing and differentiated marketing.

In undifferentiated marketing, a company markets a particular product for the whole market. The company does not segment the market and views the whole market as a single segment. Coke follows this type of strategy where it offers its flagship brand Coke to cover the whole beverage market.

In differentiated marketing, the company segments the market and adopts a different market mix for each market segment. IBM covers the whole computer market. However, it segments the market and offers specific products to each segment.

As Suzuki is entering the crowded motorcycle market, it can start with a single segment or a selective specialization strategy, and then go for full market coverage. By using a selective specialization or a single segment strategy, the company can reduces the risks associated with product failures.

Answer 31

A brand is a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors.

A successful brand usually conveys the following:

Attributes: Every brand brings to mind certain attributes and characteristics. Hero Honda suggests style, comfort, good mileage; a well built, a well engineered and a family motorcycle.

Benefits: The attributes must be translated into functional and emotional benefits. The attribute "good mileage" can be translated into the functional benefit "I won't have to spend much on fuel." Likewise, the attribute "style" translates into the emotional benefit, "I'm riding an efficient, yet stylish motorcycle."

Values: A brand also conveys something about the producer's values. Hero Honda's earlier tag line "We Care" conveys the producer's concern towards the environment and pollution.

Culture: A brand may also represent a certain culture. Honda represents high quality Japanese engineering.

Personality: A brand can project a certain personality. Hero Honda suggests a cost conscious and an environmental friendly user.

User: A brand also suggests the kind of customer who buys or uses the product. Hero Honda targets middle and upper middle-class customers.

Answer 32

Many firms design various promotional messages to differentiate their brands from those of their competitors. They either choose one unique benefit or many while positioning their brands. Most marketers feel that a firm should differentiate a product on the basis of the benefit or feature that is most significant and potentially beneficial.

However, a single attribute based positioning strategy is not always successful, especially when two or more firms claim to be the best in the same attribute. In such cases, firms try to position on different planks. However, if this plan is mishandled it may lead to negative results as consumers gets confused and they fail to associate the product with any of the benefits. Some of the positioning errors committed by marketers are:

Under-positioning: This error occurs when a promotional campaigns end up giving a vague idea of brands to the customers and they may not even be significantly aware of differences among brands.

Over-positioning: Over a period, buyers may develop, too narrow an image of a brand that might be difficult to change. For example, buyers assume that a premium outlet like Tanishq would offer only highly expensive jewelry, whereas in reality these outlets have a range to fit every budget.

Confused positioning: Too many claims made about a brand can confuse customers about the actual brand value.

Doubtful positioning: This happens when the customers find it hard to believe the brand claims in view of the product's features, price, or manufacturer.

To get the maximum advantage of positioning, a marketer should determine which positioning platforms it plans to use to differentiate its products. Then it concentrate on highlighting those attributes while positioning its products. This clarity in positioning will give better differentiation for the brand.

Answer 33

In order to maintain its dominant position, a market leader may try to expand the total market for the products it is offering. For example, if Hero Honda tries to convince customers who are buying scooters to buy motorcycles instead, then the motorcycle market expands. This in turn benefits Hero Honda. A market leader can adopt three market expansion strategies—find new users, new uses and encourage more use of its products/services.

New Users: A company can attract potential customers who are not purchasing the company's products due to various reasons. They may not be aware of the existence of the product, price could be high, the product may not have the desired features, the customer, does not have access to the product. The company can adopt three key strategies to attract new users. They are: Market penetration strategy, new market segment strategy and geographical expansion strategy. It can reduce airtime and rentals to attract lower income group consumers, thus increasing its market penetration. It can also woo students. Rural customers do not have access to cellular services due to geographical barriers. Bharati can expand its services to include rural customers.

New Uses: A company can find new uses for its products so as to expand its market. Thus, Bharati can find new uses for its cellular services. It can offer mobile commerce services, multimedia messaging services that enable customers to send pictures etc.

More Usage: A company can also expand its market by encouraging customers to use its product more frequently. Thus, Bharati can encourage customers to use its cellular service more frequently. It can offer schemes like lower airtime rates. The longer a customer talks, higher the use of SMS, lower will be the charges. It can also offer special rates for night time when usage tends to be low.

Answer 34

Consumers gather information from various sources before making a purchase decision. They gather information from

- Personal sources such as friends, family, and neighbors.
- Commercial sources such as media, salespeople, product exhibitions etc.

Apart from these sources consumers obtain information, by examining the product at the showrooms. However, the knowledge about the influence that each of the sources have on consumers is of great benefit to a company.

As a Personal Computer is a highly technical product that involves considerable investment, commercial sources may not have much influence on the consumer purchase decision. They may just act as informational medium. However, personal sources such as friends and peer group may have greater influence on a consumer's purchase decision. A consumer may go by the advice of his friends or the opinion leaders in his group. Periodic product rating issued in computer magazines may also be considered as reliable information sources while making a purchase decision. Consumers also try the PC at various company showrooms and at other dealers to obtain first hand information.

A company should conduct market surveys and ask customers for the information gathering efforts and sources that they give more importance while making a purchase. Based on this, the company can design its communication strategy for its customer segment. In this case, the company should concentrate on gaining publicity for its products in leading computer magazines. The company should also concentrate on maintaining good relations with its existing customers who play a major role in spreading word of mouth information about its products.

Answer 35

Focus group research is a market research technique that involves inviting a certain number of people and asking them to discuss a product, service or an organization. The discussion is moderated by a marketing analyst or the company personnel conducting the research. Focus group research provides detailed inputs on the issue being discussed. It is conducted on the premise that people tend to discuss a product or service more freely when they are in a group rather than on a one-to-one basis. The participants are given some freebies or incentives for participating in the discussions. But there are certain drawbacks associated with this technique:

- One or a few persons from the group may dominate the discussion. Since the others do not take part, the discussion may not achieve the desired results.
- The participants' profiles may not match the company's requirements and this could lead to inaccurate findings.
- Repeat participants may also distort the information collected. On many occasions, the same participants may be a part of the focus group and this reduces the objectivity of the findings. "Professional" participants tend to take part in every focus group research due to the incentives and freebies that are being given by the company. These professional participants may distort the findings by saying the favorable things that company wants to hear.

In order to make the focus group successful, companies need to take the following measures:

They should select an agency that can provide the right participants. There are some unscrupulous agencies which send unsuitable participants, creating many problems for the companies. Sometimes these agencies even train the participants based on the issue they are going to discuss. So companies can reduce participant-related problems if they recruit the right agency to obtain suitable participants for the research.

Another important aspect is moderating the discussion. Focus group research gives good results if the discussion is moderated effectively with the customers being allowed to give their point of view. For that, a competent moderator is required. Companies should select a moderator who has the relevant knowledge about the product or service or the issue on which the research is being conducted. He/she should also have good interviewing skills and questioning or probing skills. He/she should act without bias, so as to obtain the true views of the customers.

Answer 36

Market research has been one of the key tools for companies to identify new market opportunities. P&G's success has been attributed to its good marketing research processes and systems. In India, HLL has benefited from a strong marketing research department. But in the recent past, companies have questioned the effectiveness of marketing research as they have often met with failures when they took decisions based on the findings of such research. However, the failures were not so much due to the ineffectiveness of marketing research as to the incorrect use of the research. There are four key reasons for the failure of marketing research.

I. A narrow conception of marketing research: Market research fails mainly because marketers don't define the right objective or identify the problem properly. And companies also hold the marketing research teams responsible for identifying the problem, doing sampling and conducting interviews and reporting the results. This leads to failure of marketing research.

II. Uneven caliber of marketing researchers: Another reason for the failure of marketing research is that it is viewed as lowly job, and given less importance than other marketing activities. Companies do not recruit really competent marketing research personnel. This coupled with the fact that only minimal training is given, the research carried on does not provide good results for the company.

III. Late and often erroneous finding by marketing research: Due to time pressures and market conditions, managers want the marketing research process to be completed in a shorter period of time at a low cost. But in order to get good results, the marketing research process needs a certain amount of time and money. Marketing research activities that are not given sufficient time and money, therefore, lead to incorrect findings.

IV. Personality and presentation difference: Another key reason for the failure of marketing research is the difference in the requirements and working styles of line managers and the marketing research personnel. This difference between the styles of line managers and marketing researchers often get in the way of productive relationships. Line managers require certainty and simplicity. To them, the market researcher's report appears to be complex and abstract.

Answer 37

Based on their philosophy, competitors can be categorized under 4 key categories. They are: Laid back competitor, Selective competitor, Tiger competitor, and Stochastic competitor.

Laid back competitor: Such competitors will not respond quickly to the rival's moves. The slow response may be due to the belief that their customers are loyal and won't react to their rival's moves or they do not have the required financial flexibility to react quickly. Examples of such competitors are public sector undertakings and market leaders.

Selective competitor: Such competitors react only to certain moves of the rival. They monitor a few moves of the rival and respond to them. Large departmental stores do not respond to every attack of a rival. Instead, they target specific moves that will have maximum impact on the rival's fortunes.

The tiger competitor: This type of competitor responds to every move of its rival.

The stochastic competitor: Such competitors do not have a predictable pattern of reaction. Small firms adopt such an approach. Companies like Cavin Care and Cholayl group (makers of Medimix) follow this strategy.

Pepsi is a tiger competitor as it reacts to every move of Coke. The cola majors (Coke and Pepsi) follow this strategy as they dominate more than 90% of the organized soft drink market and every move is aimed at eating into the competitor's market share.

Answer 38

Four sources are widely used by organizations to gather market intelligence:

- The sales force is a key source as it interacts closely with customers and other entities. It can provide valuable information about the market. Thus, the company can train its sales personnel to identify the key developments in the market and report them to the company.
- External partners can also be used to gather market information. The partners include suppliers, wholesalers, retailers and logistics partners. Since they gain experience and expertise by interacting with clients, they can provide valuable information to the company. Thus, a company should interact periodically with external partners to obtain market intelligence.
- A company can also gather market information by following its competitor's moves. It can buy the competitor's products to obtain valuable information about the competitor's technology, new features and benefits offered. It can gather information about the competitor's products by reading press releases issued by it. Interviews and speeches of the top management can also provide vital information. The company can send its representatives to the competitor's shareholder's meeting to know about its future plans.
- A company can purchase information from information service providers like Bloomberg and Reuters. This is one of the cost effective ways to gather information about the market.
- Companies can set dedicated teams of employees to scan various media including Internet, television, and press and gather relevant information about the market place.

Answer 39

Basically, there are three types of product line stretching

Down market stretching: When a company is strong in the middle segment and wants to launch new models at the lower end of the market then it is said to be moving down market. Companies generally adopt this policy for three reasons—The company sees good growth possibilities in this segment. It wants to contain the competitor who is increasing its presence at lower end and eating into the company's market share. Middle market segment is stagnating.

Upmarket Stretching: When a company launches products at the high-end of the market then it is said to be stretching its product line upmarket. The company may enter the high-end market due to higher growth in this segment or higher margins or to improve its image.

Two-way market stretching: Companies which are operating in the middle market can expand their product line both downward and upward. Companies may take such a decision to have complete market coverage. By stretching both ways, the company can establish itself as a full-line manufacturer.

TVS Motors can introduce models at the lower end of the market. As consumers are shifting from scooters to motorcycles, entry level motorcycle segment has a high growth potential.

Answer 40

Companies usually stretch their product lines either to gain the advantage of economies of scale or due to market pressures. Consequently, they end up managing long product lines, which results in various negative fall-outs. As product lines tend to mature, weak products continue to stay in the product line. This happens as the management focuses on launching new products and neglects weak products.

A company can gain the advantage of economies of scale by extending the product line. However, beyond a particular point this extension may lead to diseconomies for the company, as product line extension is associated with certain costs. This might also result in the company's financial, production and marketing resources being spread thinly over a large number of products. This may result in various problems for the company. Forecasting of products in such a situation may not provide good results. Issues like price setting will become complex and time consuming. Different products in the product line may compete among themselves. Consumers find it difficult to clearly distinguish products, when there are a large number of products in a product line. Managing such long product lines might also create production problems. The production schedules may become erratic and the production costs might go up. Detecting defects in products and rectification of those defects is also slow in a long product line.

Answer 41

All new products do not succeed in the market. Some statistics show that nine out of every ten new products fail. Thus companies need to analyze which aspect of the product went wrong and what the problem areas for the company are. Following are some of the major reasons for the failure of a new product:

- The new product doesn't have a distinctive "point of difference". It doesn't have any differentiating factor to attract customers.
- The company's failure to identify the right market and right product definition prior to the product development process. This may include targeting the wrong market segment, not identifying the exact customer needs and wants, or a less than optimal configuration of product or service attributes.
- The target market which the company is looking at is less attractive.
- Poor execution of the marketing mix. The new product often fails in the market due to poor implementation of the marketing mix. The product quality may be poor. Even if one key element is defective, the product may fail despite its overall quality appearing to be good. The positioning of the product may not be proper or the firm may have implemented a questionable pricing strategy. The advertisement strategy may not have been effective in terms of generating enough awareness among customers about the product or the company may not have adopted the right branding strategy.
- The new product may fail due to overestimation of the product demand

- Regulatory and social constraints may have blocked the entry of the product into the market. This is more so for products that involve consumer safety and environmental concerns, such as toys, consumer appliances, drugs, automobiles, etc.
- The new product may also fail due to a swift or timely fight back by competitors.

Answer 42

Generally, new product development activities are looked after by product managers, new product managers, new product committees or new product departments.

Product managers: Entrusting the job of developing new products to product managers is a common way of institutionalizing the new product development program in an organization. Product managers are well aware of the company's strengths and weakness, the marketplace and the competition. Thus, they are well suited to identify new product ideas and develop them. However, they may not be in a position to put in dedicated efforts into this as they are busy managing existing product lines.

New product managers: Another way of organizing new product development programs is to hire new product managers who report to group product managers. The new product managers focus on product modifications and brand or product line extensions for existing products.

New product committees: A new-product committee is the most common organizational structure for new product development. Staff from marketing, finance, manufacturing and other functions are formed into new product committees. These committees are formed to review new product ideas and identify the best option, not to manage the development of new products.

New product departments: Major companies establish new product departments with new product managers dedicated to creating commercially viable new products. They are responsible for the complete new product development activities starting from generating ideas to commercializing new products. Due to the importance of the new product development, the managers have direct access to the top management.

New product venture teams: On some occasions new product venture teams are created to explore new product ideas and the development of those ideas in a specific product category or business. The team consists of members from various departments who are relived from previous responsibilities. The team has to deliver the product within the set period and budget. A venture team dedicates all its efforts to the project assigned and works on it until the project's completion. The team is given the authority to plan and implement the activities that are required to bring new products to the market.

Answer 43

There are four major sources that help in generating new product ideas:

Internal sources: A major source of new product ideas is the employees of the company. The R&D team is the main internal source of new product ideas. Engineers and employees at the shop-floor level may suggest new ideas due to their experience and knowledge of product development. The company may also get ideas from salespeople due to their close relationship with customers. Some companies institute reward programs to encourage employees to generate new product ideas. The employees who suggest a successful new product idea are rewarded. This encourages employees to be innovative.

Bell Labs has successfully tapped the creativity of its employees by providing a free and open environment in their R&D department. Most of the projects initiated by the firm are based on the ideas of their own scientists or engineers.

Minnesota Mining and Manufacturing (3M) has effectively nurtured the entrepreneurial interests of its employees. The company's "15 percent rule" allows all employees to spend up to 15 percent of their time working on projects that are of interest to them. Each promising new idea given by employees is assigned to a multidisciplinary venture team headed by an "execute champion." The company also encourages its employees through its Golden Step awards. These awards are given each year to the venture teams whose new products have earned more than $ 2 million in U. S. sales or $ 4 million in worldwide sales within three years of commercialization.

Toyota claims that its employees submit 2 million ideas annually (about 35 ideas per employee), over 85 percent of which are seriously considered for implementation.

Customers: Another major source of new product ideas are customers themselves. Understanding customer needs can generate new product ideas. Most new products are developed on the ideas generated through this route.

A company can get new product ideas by observing the customer behavior and listening to their problems. Regular interaction with existing customers helps a company to ascertain their needs. Companies often conduct surveys to understand the customer needs and problems. Often, customers themselves suggest the ideas to the companies. Some companies run annual contests asking customers suggest new product ideas or to explore new uses for existing products.

Competition: Companies discover good ideas by thoroughly examining their competitor's products and services. They observe their competitors' moves, their advertisements in the media and media interviews of their top management to analyze their new product initiatives. Many companies buy the competitors' products and analyze their working and performance and look for ideas that can be incorporated from the analysis. Many Japanese automobiles have taken this route to offer the best products at cheaper prices.

External partners of the company: Distributors, suppliers and other external partners also provide valuable new product ideas. Due to their close association with the lower level channel members or even the customers, they may be a good source of new product ideas. Many products and services of McDonald's are based on the suggestions given by its franchises.

Answer 44

There are six key categories of new products. The first category is the innovative products that are launched for the first time in the industry. Examples include walkman, and compact disk. The next type of new product is the company adding product line or products to its product mix which were not launched by the company earlier. These products are launched in the market that the company is already into. For example, launching a new range of leisure wear in the target market where the company has already introduced formal wear. Another form of new product is improving the existing products. The company relaunches its products with minor changes so that the company can keep up the excitement in the product. These products are promoted as "new and improved" products. This is used more by FMCG companies where the company relaunches the product with a new formula or new packaging and promotes it as new and improved. In the recent past automobile companies are using this strategy more frequently. Examples include Hyundai Motors relaunching its remodeled Santro, Honda's relaunch of Honda City and Maruti's relaunch of its Zen. Another form of new product is the repositioning of the products.

Companies target different markets for their existing products. Examples include confectionary majors Cadbury and Perfetti repositioning their chocolates to attract adults. Another form of new product is the launch of new products that are similar to those of competitors but at a lower price.

In the case of Hero Honda's Splendor, minor changes are made in the product and it is relaunched under the new brand name Splendor plus.

Answer 45

JVC Industries has to make three important decisions regarding its retail venture. They are- product assortment, services mix and store atmosphere.

The company has to decide on what products the store should offer. The decision on product assortment depends on the nature of the store. For example, a departmental store like Lifestyle may offer a greater number of product lines to satisfy the needs of varied customers. However, a store like Ikea would offer an assortment of furniture to cater to all the furniture needs of the customers.

Since competitors can easily match product assortment, JVC should try to differentiate its product assortment by offering products exclusively at their stores. These may include its own labels/brands or leading national brands.

The next decision relates to the service mix it has to adopt. This includes, how salespeople interact with customers, what will be the modes of payment and the checkout process.

A retailer should also decide on the store atmosphere. It should decide on the physical layout, the arrangement of product shelves and the ambiance that needs to be created inside the store.

Since JVC industries plans to setup a hypermarket, the product portfolio needs to be wider with more product lines placed on its store shelves. The customer service may be minimal, to maintain lower overhead costs. The store atmosphere needs to be functional. Store atmosphere is not an important criterion, as customers are more interested in getting quality goods at lower prices. The products need to be placed in easily accessible shelves in a systematic manner so that customers can easily find the product of their choice. A large number of checkout counters should be available to save the customers' time.

Answer 46

Test marketing plays a major role in the new product development process. It gives the organization an opportunity to get first-hand information relating to the customers' attitude towards the product and other tips which can be used in fine tuning the product design and price. This is important for an automobile company like Mahindra as the cost of production is very high, and a failure can badly affect the company image as well as revenues. Test marketing gives the company an idea of how large the market is, the level of consumer acceptance, the dealer response to the new vehicle, and the problems that are faced by customers. It is the penultimate stage of new product development. Based on the feedback it gets, the company can decide the details relating to the full-scale production and marketing of the product. The company may even drop the idea of launching the product depending on the inputs it gets from the test marketing.

As the product is considered as a business good, usual test marketing techniques such as sales wave research, simulated test marketing, and test marketing are not relevant for this product. Instead the company can go in for alpha testing, beta testing and display of the product in trade shows.

Alpha testing is the testing of the product within the company. The company can test the vehicle for its technical aspects such as load, mileage, pickup and endurance.

Beta testing is done by external parties such as customers and the dealers. The company provides the vehicles to select customers and dealers for testing.

Another important technique for test marketing the product is to display the product at industrial trade shows conducted across the country or outside the country. The company can observe buyer interest in the product displayed in such trade shows. Based on these observations, the company can decide whether it should launch the new product. The company can also have the product displayed in dealers' show rooms (in the places where it is being test marketed, in this case, Agra, Mumbai and Coimbatore) next to its own products or its competitors' products. This enables the company to gauge the customers' interest in the product. Since it is a new product, the company can also try to find out how the customer values the product. This will help the company to price Bijlee at a level which attracts customers.

Answer 47

There are various key factors that need to be looked into while selecting the test markets. The demographics and the consumer buying habits have to reflect the overall market. South Indian cities have good mix of demographics with a fair representation of consumers of all income levels. A test market also requires a varied cross section of people, of different ages, religions and regions. South India also has a good representation of varied cross section of customers in terms of age, religion and regions.

Media in test markets need to be isolated and cooperative. Due to language barriers the media in South India is isolated from the rest of the country. Test market should also have a good distribution network, so that the results obtained from the test marketing exercise may not be distorted due to shortage of the product or other such distribution problems. South India has a good distribution network. Moreover with the presence of big retail chains the distribution network is further strengthened. The test market should also have a good number of retailers to cooperate with the company and sell the product. Organized retailers are well established in South India with retail chains like FoodWorld, Subiksha, and Nilgiris having larger presence in the market which is advantageous for marketers to test market the product.

Answer 48

Introductory stage: As the western wear for women concept is new to the country and its acceptability is uncertain, the company can launch the garment label by setting up exclusive outlets. By having specialist outlets, it becomes easier for the company to gauge customer response and the difficulties in making the product successful.

Rapid growth stage: As the concept gains popularity, Raymond can move this range to other retail stores where the company feels that it can achieve a higher volume of sales than from its exclusive outlets. Such stores can be high-end departmental stores such as Shopper's Stop, Lifestyle and popular women's boutiques.

Maturity stage: When the product reaches the maturity stage, competition increases. At this stage, the company can move the product to the mass market where it can achieve higher volumes at low cost.

Decline stage: As the product reaches the decline stage, the company may think of supplying to discount stores such as Big Bazaar and Giant and even of opening its own factory outlets.

Answer 49

Companies use various strategies to revitalize weak products. Bajaj Auto can use these strategies:

Pushing the product: The company can push the product through the distribution channels by offering attractive incentive schemes to the dealers; it can run sales contests that will encourage dealers to sell more products. However, this strategy may be right from a short-term perspective as sales may decrease once the company withdraws the promotional schemes.

Cost cutting: The company can focus on reducing costs, thereby maintaining the same margins when the sales dip or when the company cuts the prices of the product. Cost cutting can be achieved by-reducing promotional activities, changing or reducing the number of parts, looking for suppliers who provide the parts at cheaper rates, and making production activities efficient.

Product modification: Bajaj can modify the product by adding new features to it. It can also try to improve the quality of the scooters. Quality improvements be a right option when customers perceive a product to have a low quality. Improvement in the quality may have a positive impact on sales.

Price changes: The company can make changes in the pricing of the product. It can either decrease the price to achieve a price advantage over competition, or increase the price and use selective distribution to give the image of a premium product. However, the company has to take care that the price cut should not result in the product becoming a loss making product.

Development of new markets: Bajaj can explore new markets where the product can fit in. It can also consider the option of exporting the product to foreign markets. This will not only expand the market but provide sustainability to the product for a longer period.

Product range reduction: Pruning the product range will eliminate unnecessary costs and reduce the burden of managing slow-moving items in the product range.

Market concentration: It can consolidate its market share by withdrawing the product from the markets where sales are decreasing. This helps the company to concentrate its efforts on the markets where the product is strong.

Outsourcing: This option virtually eliminates the product from the company's fold. It can outsource the production of the product and concentrate on marketing the product. By this, it can eliminate production and its associated risks.

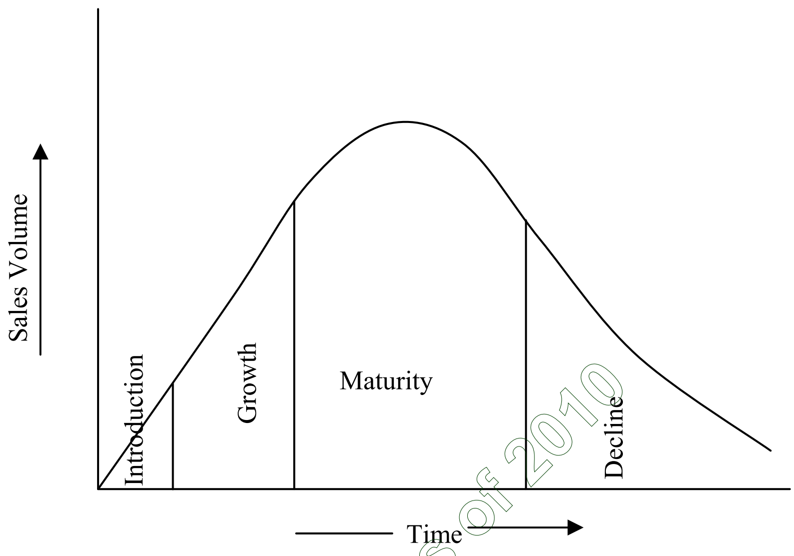
For Bajaj Auto, cost cutting, product modification, development of new markets and market concentration are relevant options.

Answer 50

According to the Product Lifecycle Concept (PLC), a product passes through four distinct stages. They are – Introduction stage, Growth stage, Maturity stage and Decline stage. The time the product remains in each of these stages indicates how well it is received by the market. A successful product usually reaches the growth stage very fast and stays at the growth and maturity level for a longer time. An unsuccessful product fails to cross the introduction stage, in other words, it dies or reaches decline stage very fast. The product life cycle curve enables marketers to monitor their products' sales in the market and design appropriate marketing strategies to improve market performance.

Introduction stage: Introductory stage refers to the initial period when the product is launched in the market. This stage is characterized by a slow growth rate in sales due to lack of awareness about the product among the customers. The cost per customer is

Stages of Product Life Cycle



high, as company has to go for heavy promotion to make customers aware about the product. The profits are negative because of cost incurred in product development are high. Being a new product competitors are few.

In this stage, the company can adopt a marketing mix strategy aimed at creating awareness about the product. Prices should be set high if the company wants to recover the product development and promotional costs. It can be priced lower if the company wants to penetrate the market and achieve a higher market share. The product is sold through select outlets, as the company is skeptical about the product acceptance by customers. The company undertakes informational advertising that creates awareness about the product and attracts early adopters. Heavy sales promotion is undertaken so that customers are attracted towards trying the product.

Growth Stage: At this stage sales will increase rapidly. Sales will come from customers other than early adopters. At the same time, competition will increase due to the attractiveness of the market. With raise in sales, the company can gain economies of scale advantage. Thus, manufacturing costs decrease. Promotion costs per customer will also decrease as they are spread across a larger sales volume. This results in better profits for the company.

At this stage the company's marketing mix aims at improving market share. The company launches brand or product extensions to increase the market for the product. Prices are reduced to gain a larger market share and cope with the competition. The product is distributed on a larger scale due to increased demand. The advertising strategy is aimed at creating a positive image about the product. Therefore, company adopts persuasive advertising to convince customers to buy the product. Since there is high customer demand, the company can reduce sales promotion activities.

Maturity Stage: At this stage the sales growth rate decreases. This is because most of the target customers have tried or purchased the product. The cost per customer will reduce further due to lesser promotion and more efficient manufacturing processes. Competition will stabilize, as weak players will leave the market. At this stage, the marketing mix is aimed at achieving higher profits and retaining the market share. The company should adopt a competitive pricing strategy to retain the market share. The distribution of the product is further increased to reach all parts of the market. The advertising is aimed at making the brand the most preferred among the customers. The company can adopt a comparative advertising strategy and design advertisements that compare the brand with that of the competition to achieve a competitive advantage over other players. The company should also increase sales and trade promotions.

Decline: At this stage sales start declining due to market saturation or due to a shift in customer preferences or product technology becoming obsolete. Due to a decline in sales, a company's inventory levels build up leading to overcapacity in the market. A company offers steep price cuts to clear off the stock. A company's marketing mix should focus on milking the brand. It should withdraw the product from unprofitable regions and use those resources to improve distribution in the areas where the company is making profits. Advertising and promotion is brought down to minimal levels to contain costs.

Answer 51

There are five prominent strategies to eliminate a product from a company's product portfolio -

Drop immediately: The product can be dropped immediately from the company's product mix. This means that company will not manufacture the product any longer. The remaining inventory will be sold to a third party and the funds redirected towards other products or activities.

Phase out immediately: This strategy is a variation of the 'drop-immediately' strategy. In this strategy, the company clears the customer order backlog or accepts the orders until a particular date before discontinuing the product. This strategy is used in order to keep the reputation of the company by satisfying all accepted customers orders.

Phase out slowly: In this strategy, the product is removed from the market slowly instead of stopping it abruptly. This strategy is used to get the remaining value in the product and customer loyalty (if any) for the product. This strategy is implemented by making changes in the products' marketing mix like price changes or change in promotions etc. One of the popular strategies is to raise the price of the product to get higher profits. With the increase in prices, sales decline and finally the product can be removed from the market. Another way is to launch limited edition products at a higher price and promote them heavily.

In some cases, companies use this strategy to buy time before launching a substitute product to replace the product being phased out.

Sell out: Another product elimination option is to sellout the product to another manufacturer. In some cases, companies give licenses to foreign companies either for marketing the whole product or to use the brand name.

As Ambassador has good brand equity and a good market in the institutional sector, the company can either adopt the "phase out slowly" strategy or the "sell out" strategy. Using the "phase out slowly" strategy the company can harvest the remaining brand strength and customer loyalty. While by using "sell-out" strategy, the company could obtain good value for the product.

Answer 52

There are three options before Tata Motors to decide upon the brand name for its car. The first option will be to use the same brand across the markets. This strategy is useful when the company has a single product or the brand name that conveys attributes of the product. The brand name shouldn't have any misleading meanings in the local market. This strategy may not be an appropriate strategy for Tata Motors as the brand name Indica conveys a meaning that it is an Indian car.

Another option is minor modifications for the brand name. This strategy is adopted when the brand name is not pronounceable, or conveys a negative meaning in the local language. This strategy is also used when someone is using a similar brand name in the local market. The company can make some modifications in the brand name to suit the local requirements.

Another option is to use different brand names in different markets. Such a strategy is used to create a local image of the product among the customers. This strategy is used more by automobile companies where the same vehicle is named differently in different markets. This would be the right option for Tata Motors. Customers all over the world perceive cars manufactured in US, Japan, Germany as of superior quality. Branding the product with a different name, eliminate the perception of the consumers about the product being of an Indian make, which they view as sub-standard.

Answer 53

The rural markets in India have lately been crowded by many FMCG marketers. Thus, many analysts felt that FMCG companies would do better if they started paying attention to new markets like the suburbs.

Moreover, the downtown suburban consumer did not differ much from an urban consumer. This segment looked for products that provided value benefits at cheaper prices. Moreover, they were very demanding when it came to health and hygiene. This provided a very good opportunity to marketers who could tap these markets. But the marketing strategies to be adopted have to be different from those used in rural or urban marketing. The usual push strategies adopted by many FMCG marketers might not be very useful. Following are some of the novel ways, which a marketer can adopt:

- Door-to-door delivery of product catalogs, coupled with suggested value offerings.
- Tie-ups with local stores, clinics, shops etc. for heavy advertising and brand promotion.
- Providing value benefits. For example, providing more general information related to the product and its uses and benefits.

The suburban markets are still unexplored and may turn out to be profitable for those who recognize its potential and explore them first.

Answer 54

There are three key steps which a company has to follow while fixing the price. First the company has to determine the objectives which it wants to achieve using the price as a tool. For example, it can decide whether it wants to penetrate into the market or to skim the market by taking advantage of newness in the product. In this case as the product is targeted at mass market, it has to set the price to achieve that objective. The next step is to determine the demand, costs incurred and profits to be achieved. The company has to make a study to estimate the demand for the product. Then it should also evaluate its manufacturing facilities and the costs incurred and determine whether it can derive any economies of scale advantage. And the profit margins the company wants to obtain should also be determined. Then the company should evaluate the long term implications of the pricing strategy. The company should also consider the future phases of the product life cycle. As the company is launching the fairness cream in mass market, it has to use a penetration pricing strategy in order to capture a larger share of the market in the coming period.

Answer 55

The company can adopt three pricing strategies -- value pricing, promotional pricing, and price/product bundling.

Companies can use value pricing strategy in order to revive the declining sales. Value pricing refers to reducing the prices of the product to make it appear as a product providing higher value. It does not imply merely lowering the prices but restructuring its manufacturing and marketing operations in order to bring in efficiency, thus providing the same quality product at a lower price to the customers. Another option for the company is to go for promotional pricing. Companies can use promotional pricing tactics like easy financing schemes. Easy financing schemes can attract customers, as the financial constraints are a key barrier for the customers to buy the product during the recessionary periods. The company can also announce special event schemes during festivals and special events. This will keep up the interest in the product and attract more customers.

It can also use product bundling strategy. Bundling various services and products into the offer and offering them at a special price can make the customers perceive that the company is offering a higher value proposition. The company can offer extended warranty, insurance cover and special discount for servicing the vehicle, at a special price.

Answer 56

There are two forms of pricing policies for new products- Price skimming and price penetration.

Price skimming: Price skimming refers to the policy of fixing the highest price that consumers can pay for a product. Such a policy is adopted when the target customers are more concerned with the quality of the product rather than its price. It is applied primarily by manufacturers of luxury products. It is also applied in the pricing of innovative products. The company can cash in on the innovation as consumers are willing to pay more for the product which provides greater value for their money.

The advantages of price skimming are:

- By fixing high prices the company can recover the costs incurred in the manufacture of the product.
- Provides flexibility to the company in reducing the prices as and when required.
- A highly priced product may be, perceived by a customer as a high quality product.

If the per unit production cost for small volumes are high then such a pricing strategy is not right. High production costs will nullify the gains that accrue from high prices.

Price penetration: Price penetration involves fixing the price of the product at a lower rate than that of the competitor's. This enables the company to capture a larger share of the market and eat into the competitor's share. This pricing policy is suitable for products, which are purchased by price sensitive customers. These customers purchase the product if the price is in their range and stop buying if the price increases above a certain level.

Penetration pricing enables sellers to capture a larger share of the market. Adoption of this policy by a company can also make the market less attractive to competitors as a large share of the market has already been captured.

However, this pricing policy provides low profit margins and consumers may perceive the product as a low quality product. Larger sales volumes are required to break-even.

Even though the product is an innovative one, since it is targeted at price sensitive customers Gillette can adopt the price penetration policy. This will enable the company to capture a large share of the market and this in turn makes the market less attractive to competitors. If price of the razor is kept low more consumers may buy it. Having bought the razor consumers will incur a transaction cost if they switch to a competitor's products, thus they would prefer to buy replacement cartridges from Gillette. Consequently, consumers are locked in with Gillette making it difficult for competitors to enter the market.

Answer 57

There are three product-mix pricing options that are relevant for HP-Optional-feature pricing, captive-product pricing, and product-bundling pricing.

Optional-feature pricing: Companies using this option offer accessories and services along with the base product/service for an extra charge. Airlines offer lodging at destinations at confessional prices to its passengers. Car manufacturers can offer extended warranty and high- end stereo system along with the car. Sometimes companies may offer these options for free or include it in the price of the main product. For example, automobile dealers offer free vehicle insurance to customers at no extra charge.

HP can adopt optional-feature pricing for its PCs. It can set a price for the base model with CPU, monitor and multimedia kit. Then it can offer additional benefits such as web-cams, software, higher memory, on-site support and extended warranty as optional features.

Captive pricing: Captive pricing refers to pricing a base product at a lesser price and the peripherals that go with the product at a higher price. Thus, customers are induced to buy the product due to its low price and they have to use the company's spares when they are due for replacement. The company makes profits on accessories by fixing high prices on them. HP can adopt this option for printers. It can sell the printer at a low price to encourage customers to purchase it and charge higher prices for printer cartridges so that it can make profits from the printer cartridge business.

Product-bundling pricing: In this option products are bundled into a package and offered at a lower price than the combined price of individual products. Travel agencies offer package tours at a lesser price and airlines offer return tickets at a lower rate than one way tickets. HP can offer its products as bundle. For instance, bundle PC, printer, scanner and software into one package and charge a lower price than the combined price of these products.

Answer 58

Cellular companies have adopted the discriminatory pricing strategy. This strategy refers to the fixing of two or more prices on a product or service when the company incurs the same cost in offering these products or services.

Cellular companies incur the same cost in providing services to both pre-paid and post-paid customers. But companies' take advantage of the difference in customer perception about the services. Cellular companies generally adopt three forms of discriminatory pricing.

Customer-segment pricing: Various customer segments are charged different prices for the same product or service. For example, airtime charges vary for pre-paid customers and post-paid customers.

Product-form pricing: In this form of pricing, different versions of the product have different prices but the prices are not proportionate to their respective costs. SMS charges are the same for pre-paid customers irrespective of usage whereas for post paid customers SMS charges vary depending upon the usage.

Location pricing: In this form of pricing, price of the same product or service varies according to location. For example, international call charges for USA are lower in comparison to charges for other countries, which are at the same distance from India.

Time pricing: In this form of pricing, price of the product or service varies according to time. For example, airtime charges during peak hours and non-peak hours vary.

Companies need to consider various factors if discriminatory pricing is to succeed:

- The company should be able to segment the market depending upon consumer needs. Pre-paid customers may constitute new users, low users or those who cannot afford to pay monthly rentals. Whereas post-paid customers may be heavy users, or existing customers and corporate customers.
- The cost of providing services to different segments should not exceed the revenue obtained by using discriminatory pricing.
- Customers should not feel cheated because of differential pricing.
- Such pricing must not be illegal.

Answer 59

HP can react to Dell’s move in various ways

Maintain price: HP can maintain the price of its products and not give much importance to the competitor’s price cuts. It can adopt this strategy if it feels that the price cut may bring profit margins under pressure or it can recapture its share of the market at an appropriate time.

Maintain price and add value: HP can respond to the price cut by providing improved product or service at the same price. It can provide extended warranty or free cartridge replacement at the same price. It can adopt this strategy if it feels that customers expect more value-for-money.

Reduce price: HP can respond to competitor’s move by matching the price cut. It can adopt this strategy if it feels that it can recover its costs by increasing volumes, or it may lose market share because the customers are more price sensitive or it will be difficult to recapture the market share once it is lost.

Increase price and improve quality: HP can increase the price and at the same time improve the quality of the products. It can also launch products in the same range as its competitor. HP can adopt this strategy if it feels that customers can be convinced that its products offer greater value for money.

Launch a low-price product to counter the competitor: HP can launch a low-priced brand to fight the competitor.

HP’s decision will depend on various factors like the stage in product life cycle the product under attack, the product’s importance to the company, market conditions, competitor’s motive behind the price cut and costs that HP incurs.

Answer 60

Since Kinetic Motors is a late entrant in a market dominated by Hero Honda, Bajaj Auto and TVS Motors, it can adopt the promotional pricing strategy. There are various promotional pricing techniques.

Special-event pricing: Companies offer products at special prices during events like Cricket World Cup and festivals like Diwali and Christmas.

Low-interest financing: Companies offer products on credit at a rate of interest lower than the market rate. Such pricing is, usually adopted by automobile and consumer durable companies. Reduction of interest rate by 2%, zero interest rates for first year and exemption of processing fees. Thus, Kinetic can offer its bikes on low-interest finance to attract customers.

Longer payment terms: Companies also make promotional offers like extending the loan term to a longer period. This lowers EMI (Equated Monthly Installment) to be paid by the customers.

Warranties and after sales service deals: Companies offer extended warranties and after sales service contracts either free of cost or for a special price.

Answer 61

Confectionary manufacturers use these prices to penetrate into the market and achieve psychological pricing advantage. With volumes in urban areas stagnating, companies are turning to rural and semi-urban areas for growth. By fixing affordable price points they can penetrate into the market. Another reason for setting such price points is the customer's perception about the price points. Customers fix a particular reference price in their minds while purchasing a particular product. Even if the price of a product is lower than the reference price the consumer may not show an interest in the product. For example the price point Rs 5 is more acceptable than Rs 4.50 because the customer may not have required change to pay Rs 4.50 while Rs 6 is seen higher than Rs 5.

Answer 62

The student and his parents should be the primary targets of the school's promotional campaign. Although the decision is taken by the parents and the student there are many other people who directly or indirectly influence their decision.

Depending on the role played by them, the people participating in the decision process of purchasing a product or selecting a service can be classified into

Initiator: An initiator advises or proposes the idea of purchasing a particular product/service.

Influencer: One whose advice is valued by the buyer.

Decider: One who makes the final decision about which product/service to buy; whether to buy the product/service; where to buy it; and in what quantity.

Buyer: The person who actually makes the purchase.

User: The person who actually uses the product or service.

In the case of school admissions, parents usually take the decision on behalf of the users (students). The actual users (students) of the service are inexperienced and too young to decide on what is better for them. Parents play many of the above-mentioned roles in the decision making process. Since they think about the child's education, they are the initiators. They are also the deciders, since final decision about where to admit the child will also be taken by them. They are the buyers as well, as they pay the fees and admit the child in the school. Therefore, the school needs to target parents in most of their promotions.

Parents take the opinion of others while deciding on the best school for their children. They may seek the opinion of friends or peers whose children are already studying in that particular school or people whom they consider to be knowledgeable. Thus, the school should also try to attract the attention of the influencers.

Answer 63

Logistics manager of a company has to take four key market-logistics decisions in order to make the goods available "to the right customers at the right place at the right time at least cost". They are: Order processing, warehousing, inventory and transportation.

Order processing: Order processing deals with all activities involved in handling customer orders. A typical order processing cycle consists of—order placed by the customer or the salesperson, order entry, customer credit check, accepting the customer order, scheduling the inventory and the production, processing the order, delivering the order, settling the payment. The logistics manager has to look for an order processing cycle which can reduce time and costs for the company as well as its customers. As GE medical systems deals with high end diagnostic equipment, its clients are big hospitals. Thus, GE can automate the order processing cycle, to reduce time and costs.

Warehousing: Another key decision that a manager has to take in the area of market logistics is related to storage of goods. Generally, there always exists a gap between customer demand and the production of goods by the company. Warehouses help the company in dealing with the mismatches between demand and supply. The manager has to decide upon the number of warehouses and the location of those warehouses with reference to the target markets. If the company wants to provide goods to its customers quickly, then it has to increase the number of warehouses and establish them closer to the customers. Maintenance cost also influences the decision related to warehouses. If the goods to be sold are high-end products and maintaining them is expensive then the products are stored at fewer warehouses. Companies can set up their own warehouses or rent private warehouses. As GE deals with high end medical equipment, maintenance cost of the products is high. Hence, the company needs to use fewer warehouses. Since the products are high-end products, it would be appropriate for the company to set up its own warehouses.

Inventory: The level of inventory to be maintained is another key decision that has to be taken by the logistics manager. If the company wants to service the orders immediately then inventory levels have to be high. This, however, increases the inventory carrying costs. On the other hand, if the company wants to maintain fewer inventories then it may face a stock-out situation and hence a decline in customer service. Thus, the company needs to maintain an optimal inventory to lower the possibility of stock-out and overstock situations. Since the products that GE sells are high end products, the inventory carrying costs will be very high. The products are expensive so the volume of sales will be low. Thus, the company can maintain, less inventory in a few warehouses.

Transportation: Another aspect, which a logistics manager has to decide upon is, transportation. He has to decide upon the appropriate modes of transportation for shipping goods to dealers, warehouses, or customers. The factors, which are to be considered here include the costs involved, requirements of customers and the nature of the product. If customers require quick and on-time delivery then the company can select a faster mode of transport like airways and trucks. Such transportation, however, increases the costs. Otherwise, the company can use slower modes of transport such as ships and pipelines. As the medical equipment is a mission critical product, customers expect quick delivery from GE. Hence, GE can select faster modes of transport such as airways and trucks.

Answer 64

Ads that contain the experiences of satisfied customers are aimed more at reinforcing the purchase decision of the existing customers than to attract new customers. However, prospective customers are also attracted by such advertisements, as they tend to believe the words of people actually using the product.

Marketers use this type of advertisement chiefly as a post-purchase communication tool. A company's marketing activities don't end with the customer making a purchase; it has to track and manage post-purchase consumer behavior. The level of satisfaction of the customer influences the future purchases of the customer. If the customer is highly satisfied with the product, then he may make repeat purchases from the company. He will also speak favorably about the product to others. On the other hand if the customer is dissatisfied with the product, he may return the product and stop buying the product. He may also spread negative impressions about the product and the company.

In such a context, post purchase communications play an important role in managing the expectations of the customer. Post purchase communications reduce the gap between customer expectations and the actual performance of the product. This is done by establishing a positive image among customers and reassuring them that they have made the right product choice. By placing ads that depict the experiences of the satisfied customers, a company can also convince the prospective buyers to try the product. As part of post purchase communications, the company can also send a letter congratulating the customer on his/her choice. It can provide a feedback form along with the product brochure, so that the company can elicit feedback and suggestions from customers for improvement in the product. They can provide manuals that give tips for making better use of the product (recipe booklets for a food processor). Companies can send magazines that provide product related information (such as computer magazines for the PC customer). Such efforts can substantially improve a customer's post purchase impression.

Answer 65

There are various media that are available which companies can use to promote and create awareness about its products. The selection of the media should depend on the evaluation of the pros and cons of each medium and the company's own requirements. Following are some of the commonly used media and their pros and cons.

Newspaper: The newspaper is a key medium even though other media such as television and radio have become popular. Some of the advantages of the newspaper medium are:

- It provides flexibility for the marketer in terms of timing, location, and frequency of ads.
- It provides good coverage of the local market.
- It is viewed by customers as a reliable source of information, thus bringing in good credibility for the ads.
- It may appeal to a broad segment of the market due to its high circulation.

  Some of the disadvantages are:
- It has a short life. Readers do not spend much time reading the paper and the edition changes every day.
- It has a low pass-along readership as it is not preserved and reread.

Magazines: The magazine is the key print medium that is widely used by marketers. The advantages of a magazine are:

- It provides higher geographic and demographic selectivity, as it caters to specific segments unlike newspapers.
- It has a loyal following within its category, and so, high credibility and prestige.
- It has a longer life than a newspaper.
- It has a high pass-along readership, as it is preserved and reread.

Some of the disadvantages are:

- It has a longer ad lead time
- A certain number of copies have to be given by the company on a promotional basis and are considered as waste in circulation terms.

Outdoor medium: The outdoor medium is one of the oldest promotional media.

Some of its advantages are:

- It provides flexibility to the company in deciding the nature of promotional campaigns.
- The ads have high repeat exposure.
- It is a low cost and low competitive medium.

Some of the disadvantages are:

- It has limited audience selectivity as it is confined to the area in which the hoardings are placed.
- It doesn't offer much creativity.

Television: This is one of the most powerful media that marketers can use to promote their products. With the advancement in technology, the TV medium is providing more opportunities for marketers to promote their products.

Some of the advantages of this medium are:

- It appeals to both the senses, i.e., sight and sound.
- Marketers can make use of color and the movement in this medium effectively to create a good ad.
- Its reach is very wide.
- Due to its audio-visual characteristics, the ads aired on television receive higher attention from the customers.

Some of the disadvantages are:

- It is expensive.
- The ads aired on TV have brief exposure, since the messages are telecast for just a few seconds.
- Though the reach of television is high, customers are fragmented due to the number of channels on the air.
- This medium is flooded with advertisements, as is a popular choice of many advertisements.

Radio: The radio was a sought after medium till the advent of television. But with the audio visual advantages that the television offers, the radio's prominence has decreased. However, the radio still provides many advantages, some of which are:

- It has mass appeal with 90 percent coverage of the country's population.
- It is a low cost medium.

- It provides the marketers with high geographic and demographic selectivity

Some of the disadvantages are:

- As it is an "audio only" medium, it provides less flexibility in developing promotional campaigns than television does.
- Due to its "audio only" nature, the customers pay less attention to it than to television.
- Like the television medium, it is also a fleeting medium.

Direct mail: Direct mail is another key medium which is highly popular for beauty products, household products and the like.

Some of the advantages of this medium are:

- Audience selectivity is high, as the company can choose the customer to whom the promotional material is to be sent.
- It also offers flexibility
- It allows the company to personalize the ad in keeping with customer needs and preferences.

Some of the disadvantages are:

- The costs involved are relatively high.
- It has the negative image of being "junk mail".

As Meridian is in the furniture business, the company can first use television to create awareness among the customers about its products. But the furniture business is highly unorganized and customers buy the product only after thoroughly evaluating it. So, Meridian should go in for local promotions, highlighting the company's outlets and its range in each of the markets where it has a presence. The company should use media which can provide good local coverage. It can use the newspaper and outdoor media for local promotions and also magazines on lifestyle and interior design.

Answer 66

The advertisement budgets are dependent on various factors related to the product, target market and the market conditions. The ad budget varies with the stage at which the product is in the product life cycle (PLC). Introductory and growth stages require heavy advertising. While at later stages lesser advertising is required as the brand is well established. The market share also influences the ad budget. The products that have a larger market share require less ad spending as reaching the larger customer base is less costly. Competition also affects ad spending. If the competition is high then to stand out in clutter, the company has to spend more. The frequency with which ads are to be aired also influences the ad budget. Higher the repetition of ads, higher will be the advertisement costs. The ad budget will also be dependent on the nature of the product. If the product is a commodity product then company has to spend more to create differentiation for the product.

Answer 67

The elements involved in the communication process for a fitness product of Telebrands would be:

Sender: Sender refers to the entity (Telebrands) that is sending the message to the other party (viewers/prospective customers).

Receiver: The entity that receives the message transmitted by the sender. Here is the actual customer who views this advertisement.

Encoding: Encoding refers to the process of giving physical form to the thoughts the company intends to convey i.e. putting the message in either word or image form.

Message: The message that the sender transmits in symbolic form. This implies the actual advertisement of Telebrands' fitness product.

Media: Media is the communication channel that a sender uses to convey the message to the receiver. Here Telebrands is conveying the message through television.

Decoding: Decoding refers to how the receiver interprets the words and images that are encoded by the sender. In this case, how the customer interprets and understands the advertisement is the decoding process.

Response: It refers to the receiver's response after he has seen the message. There can be many responses - he can order the product immediately either through the toll free line or by post, he may consider buying the product within a few days, he may tell about the product to his friends and associates or he may ignore the message.

Feedback: The information the sender receives regarding how well the receiver has understood the message. Telebrands may receive feedback directly from the customer, or can undertake research as to how well the advertisement or the product was received by the customer.

Noise: Noise refers to the distraction that the receiver is subjected to while receiving the message. Customers may be distracted by sudden disturbances in transmission of the television channel or by friends or family calling him, etc.

A marketer has to analyze these elements in order to devise an effective communication strategy. It needs to identify customers who are more favorable to receive and respond to the message. It should also decide upon the encoding of the message keeping in view how the decoding is done at the consumers' end. The media through which the advertisement is to be aired also should be considered. The company has to set up feedback mechanism to analyze the customer response to the advertisement.

Answer 68

Prima can measure its advertising effectiveness using various quantitative and/or qualitative techniques. Prima has to decide as to what it wants to measure- the building of a broad awareness for its brand (communication-effect) or the sales leads generated (sales effect).

Depending on the variables Prima wants to measure, it can select an appropriate method for evaluating the effectiveness of its advertising. If the company wants to know the effectiveness of its advertisements in building brand awareness, it should use brand awareness surveys to evaluate its brand recognition by the customers. While finding out the effectiveness (in terms of gaining attention) of advertisements placed in print and television media is difficult, it easier to know the number of people who saw the online ad. Modern technology help companies to get instant feedback on which banner ad was driving the most people to click through to their website. Click-through can be one way of measuring an advertisement's /media effectiveness.

The communication effect can be measured by using direct rating methods, portfolio tests and laboratory tests. A *direct rating method* measures an advertisement based on the rating given to it by the customers. The customers rate the advertisement on various parameters like interest created, clarity of message, information etc. *Portfolio tests* are designed to gauge the ability of an advertisement to stand out in a group of advertisements. This method exposes the customer to a set of advertisements and then he is asked to recall them. The advertisement that is recalled well is considered effective.

The sales effect of an advertisement can be measured by analyzing the historic sales data. This can give the revenue increase for a particular level of ad-expenditure. However, advertising may not be the only factor that increase sales. Other marketing mix variables like product, price can also influence sales. Therefore, Prima should take into consideration both the sales effect and the communication effect generated by an advertisement while measuring its effectiveness.

Answer 69

Many surveys show that it is much cheaper to retain an existing customer than to get a new customer. Companies ranging from airlines and credit card providers to retail stores offer various loyalty programs to retain their customers. Many of these programs are designed to reward the customers for staying loyal to the organization. Organizations offering these rewards feel that the money spent on these schemes can be recovered from the revenues generated from the sales to loyal customers.

There are three ways through which companies increase customer satisfaction and enhance their relationship with customers, i.e. financial benefits, social benefits, and structural ties. Financial benefits include loyalty card programs. Under these programs customers are awarded certain points for every purchase they make. These points can be redeemed for gifts and discounts. Through such schemes company encourage customers to make frequent purchases and stay with the company for a long time. In India loyalty card programs are offered by retailers like Shopper's Stop, and Lifestyle, airlines like Indian Airlines and Jet Airways, and almost all the credit card companies.

Apart from financial benefits, companies also try to build long-term relationships with customers through social means. Companies arrange special events such as music concerts, get-togethers, etc, for their customers. Such activities are conducted to strengthen their relationship with their customers. In India, Hero Honda has started such a program called the Hero Honda Family Club. The company conducts various events and get-togethers for Hero Honda vehicle owners.

Another way by which a company tries to enhance its relationship with the customer, is by offering various special services or equipment that benefit the customer. Companies can offer special software that can help the customer manage his operations more efficiently or provide sales leads and consultancy services. GE offers consultancy services to its industrial customers. Dell provides special software for its customers so that they can order products from its site more conveniently.

Answer 70

Abraham Maslow has classified the human needs into five hierarchal levels-physiological needs, safety needs, social needs, esteem needs and self-actualization needs. Usually, a consumer tries to satisfy higher level needs only when his lower level needs are satisfied.

Physiological needs are the lowest level in the hierarchy and include the basic needs such as food, water, shelter that are required for survival.

The next level of needs is the safety needs. After satisfying the physiological needs, a consumer tries to satisfy safety needs that are aimed at making life secure. These needs include a job, financial security, health security and cover for his life. These needs are psychological in nature.

The next level of hierarchy in Maslow's model is the social needs. After securing his life, a consumer tries to satisfy his affection and affiliation needs. S/He will try to satisfy affection needs by providing good amenities for the family, admitting the children in a good school etc. S/He will try to satisfy affiliation needs by joining a club or participating in social gatherings.

The next level of needs that a consumer tries to satisfy is the esteem needs. These needs are aimed at maintaining or enhancing social status, and to gain recognition in the society. S/He will satisfy these needs by buying life-style products, dining in good restaurants, etc.

After attaining good social status, a consumer may desire to do things that are important for his self-development and realization.

AMP's Subiksha will satisfy consumer's safety needs, by providing a life cover, a child protection plan and giving periodic returns; hence ensuring the financial security. Many Indians consider insurance products as unsought goods. They do not buy the product either because they are not aware or they do not feel the need for life insurance. Therefore, AMP Bhima's promotional plan should aim at creating awareness on the need for insurance. The company can develop a promotion mix consisting of advertisements, publicity and personal selling to market their products. The advertisements should use fear appeal to make them feel the need for an insurance product. Once consumers are aware of the company's products, it can send its sales personnel to explain the details of the products to the customers. This mix of advertising and personnel selling can make Subiksha a successful insurance product.

Answer 71

A company can use two kinds of channels to promote its products -personal and non-personal communication.

Personal communication channels are those channels through which two or more people communicate directly with each other. Three kinds of personal communication channels that are of interest to marketers.

- Expert channels
- Advocate channels
- Social channels

Expert channels: Knowledgeable individuals or experts in a particular field communicate the product information to target customers. These people are usually opinion leaders or respected persons in their fields. Thus, the customers view their suggestion or recommendation seriously. For example, pharmaceutical companies conduct seminars where an opinion leader (usually a renowned doctor or a researcher) speaks about the virtues of their product/s. However, a company does not have direct control over this channel.

Advocate channels: Personnel are hired by the company to promote its products. Salespeople are the prime example for this type of channels. This is the commonly used channel by health care marketing companies. Companies have direct control over this channel.

Social channels: These channels communicate the message by word of mouth. These channels involve communication between friends, relatives, colleagues etc. It is difficult for the company to influence this channel.

Personal channels have greater influence for the product types that are costly, or where high risk is involved or the product is purchased infrequently. Examples include consumer durables, cars, high-end stereo systems etc.

Non-personal communication channels pass on information with out any direct interaction with the target customers. Examples are television, radio, print media and outdoor media. These channels influence the customers indirectly. Dissemination of information using non-personal channels takes place when a person notices an advertisement in a television channel or an advertisement in a newspaper. This person may in turn refer the product to other customers.

For a healthcare company personal communication channels are more effective. Unlike the FMCG products, customers generally purchase healthcare products after careful evaluation. Non-personal communication channels like ads in television have less influence on consumers. A patient views a doctor's recommendation more seriously than an ad on television about a healthcare product. A healthcare company can use the expert channel to promote its products. Leading medical experts can recommend products to other doctors who will in turn suggest them to their patients. The company can use the services of professional medical representatives to inform the doctors about their products. The company can also use non-personal channels to pass on information related to OTC (over the counter) products. These communication channels help in building brand image and recall.

Answer 72

From market conditions and product performance it is obvious that Santro is in the growth stage of the product life cycle.

In the growth stage, product sales will increase rapidly. However, simultaneously competition also increases. Competitors may introduce newer models and step up promotions. The sales of the company's product will now come from consumers other than early adopters as the brand is well established. Pricing will become stable and may even reduce. With rapid increase in sales, the company's promotion and manufacturing costs spread across a higher number of units. This leads to higher profits. Marketing strategy at this stage aims at sustaining the increase in sales. There are various options available for the company to choose from:

- It may lower the prices to attract price sensitive customers and so expand the market for the product.
- It can focus on strengthening the distribution network.
- It can explore new markets
- It can improve the quality of the product or augment the product by adding new features or design
- It can change its promotional strategy from informative advertising to persuasive advertising.

The strategy chosen depends on the business objective of the company. It needs to make a trade-off between expanding the market and gaining higher profits. It can milk the present market segment through increased prices to gain higher profits, but that would be a very short-term decision. In order to expand the market, it needs to invest in improving product quality or promotion or on strengthening distribution. In the case of Santro, the company has decided to improve its market share. It has made product improvements such as new design and enhanced interiors. Hyundai Motors has changed its brand name to create excitement in the market. It has also launched a new ad campaign. Thus, Santro is investing in augmenting the product to gain a larger market share, which will help the company in the long-term.

Answer 73

With the punch line "World's local bank", HSBC has adopted the "Glocal" strategy. It implements global practices, fine-tuned to suit local conditions. Global marketing strategy emphasizes on uniform marketing activities across countries in which the company has a presence. However, this may not yield desired results. Every country has its own culture, which influences consumer requirements and limitations and this led to the concept of "Glocal Strategy", which incorporates local aspects in marketing strategies. Global marketing strategy focuses on standardization and integration of marketing activities. This includes standardized products, identical brand names, similar advertising strategies, synchronized product launches and coordinated sales campaigns across markets. "Glocal" marketing strategy, on the other hand, tries to achieve an optimal trade off between standardized products and tailor made products; centralized marketing operations and decentralized operations; and integration of operations and flexibility of operations.

Answer 74

Two popular promotional strategies are, used by FMCG companies to sell their products- — Push and Pull strategies.

Push strategy: In push strategy a manufacturer encourages channel partners to sell more of the product. In other words, the company uses its own sales force or trade promotions to make the dealer carry, promote and sell its products. This strategy is suitable if the product categories are less differentiable, the product is an impulse item or the customers decide upon the product at retail outlets etc.

Pull strategy: Under this strategy, the manufacturer encourages end-customers to ask the company's intermediaries for the product. This strategy involves large-scale advertising and consumer promotions such as discounts and freebies. It is suitable for products which have high brand loyalty, brand recall or when customers display high involvement in making the purchase decision.

S.G Foods is launching a salt which is almost a commodity product. The company can adopt push strategy. Salt is a low involvement product in which customers have negligible or zero brand preference. The company can therefore encourage retailers to push the product. Retailers can be offered trade promotion deals which will encourage them to buy more of the product and promote and sell the product to the end-customers.

Answer 75

The company can use various sales promotional tools to improve the sales of Radiance fairness cream.

- The company can offer free samples at departmental stores, boutiques, shopping malls, and in colleges.
- The company can even offer them door-to-door at select places. This enables the consumers to try the product and evaluate the performance of the product.
- The company can also offer free coupons that provide discount on purchase of Radiance cream. These coupons can be attached with Sunday editions of the newspapers, entertainment, women and fashion magazines.
- The company can also offer cash rebates for the future purchases.
- The company can offer a certain percentage of discount or certain rupees off on the next purchase.
- Offer a rebate on production of empty pack or wrapper of the product by the customer.
- Bundle Radiance cream with other products (hair oil or shampoo products) and offer it at a special price.
- Offer 20% extra quantity free with the pack or buy two get one free, or even buy one get one free.
- Run contests with attractive prizes for the winners.

Answer 76

There are various public relation activities that enhance the image of the company or help in promoting the product. The following are some.

Maintaining good relations with the press: The Company can frequently place infomercials (Ads that provide information about a particular issue) regarding the product or the company or the industry in which it is operating. It can insert profiles of its top executives. This brings awareness about the products and about the company among the customers. The company's top management can give interviews to print media or to television channels to keep up the interest about the company.

Product publicity: Another public relation activity that a company can undertake is product publicity. The company can organize a press meet, to introduce the new products or organize a show to publicize the new product.

Corporate communications: Companies can establish good communications internally that is with the employees of the company as well as the shareholders, and financial institutions with whom the company is dealing.

Public Affairs: The company can undertake national or local community activities in order to build its image as a socially responsible company. It can participate in social activities like literacy campaigns, health awareness campaigns, or government campaigns such as polio eradication campaigns. The company can also undertake developmental activities in the villages which are located near its manufacturing plants. For example, Tata Iron and Steel plant located in Jameshedpur has adopted the villages in its vicinity and has undertaken various developmental activities, there by building its image as a socially responsible company.

Lobbying: Another important activity that a company has to do is lobbying with the government in favor of the company or the industry. It can oppose legislations or decisions that are not favorable for the industry; it can lobby for industry friendly measures. It can act in coordination with other organizations to make its case stronger. For example Indian BPO companies are lobbying with the US governmental agencies to oppose the curbs on the outsourcing activities.

Answer 77

With the number of players in the insurance products increasing significantly, marketing has become an important tool for reaching out to the customers and creating awareness about a company's products and policies. A logically ideal advertising strategy for a new private insurer should focus on communicating with the customer about the company and educating him about the need of insurance. Almost all companies would try to convince customers that they are reliable. So, in order to distinguish itself from its competitors, a company could use product-based advertisements, and create awareness about the different policies it offers. Most of the companies in the Indian insurance market were focusing on strengthening their brand. Thus, a company focusing on product-centric advertisements in addition to brand building could stand out easily from the clutter. Also, with the number of young executives increasing in the metros, advertisements that project insurance as one of the best investment options with considerable returns could work out very well.

Advertisement campaigns can also be used to tap the rural markets, where insurance is synonymous with LIC. Here, the focus would be on establishing the need for insurance and the benefits of insurance for an individual. Simultaneously efforts towards building a brand image can be made. However, the initial stages would ideally focused on establishing the reliability of company. Companies can also venture into direct marketing wherein individual agents of a company build up a personal relationship with rural customers. In order to reach out to them, the individual agents should act as efficient brand ambassadors of the company. Companies can also organize fairs in the villages where its individual agents would explain about insurance products to customers.

Answer 78

Developing an effective message is one of the key components in the design of a promotional campaign. An effective message needs to be based on a particular theme or appeal in order to achieve the desired response from the customers. Companies usually create three kinds of appeals in their promotional campaigns.

- Rational appeals
- Emotional appeals
- Moral appeals

Rational appeals: Companies try to create rational appeals that depict important features of the product. By doing this, the company tries to relate the ad with the self-interest of the customer. The product attributes that are highlighted include the price of the product, the innovative features of the product, the performance and quality of the product. Consumer durable manufacturers use this strategy as consumers give more importance to performance related attributes while making a purchase decision.

Emotional appeals: Emotional appeals are created in ads to arouse feelings in the customer's mind that may encourage him to purchase the product. These appeals may be of fear, love, pride, guilt and joy. For example, Onida's earlier campaign – 'Neighbors' envy, Owner's pride' attempted to create a sense of pride among customers.

Moral appeals: These appeals are used to create awareness in the customer and are mostly used for promotions made for social causes e.g. Child relief, disease prevention, animal rights etc.

In this instance, an emotional appeal is suitable as the target customers who buy these garments are the high-income group and the young. These customers are more influenced by emotional appeals rather than the attributes of the product. Since fashion garments are generally viewed as status symbols, rational appeals such as price and quality may not appeal to prospective customers.

Answer 79

Companies can shift their focus from advertisement to trade promotion when the market is competitive and product differentiation becomes difficult. Silicon computers can chose from an array of trade promotion tools to motivate its middle men. They are as follows:

Cash discounts: Cash discounts are offered to encourage dealers to make timely payments to the company. For example, a company can make "2/10, net, 30," offer. As per this offer, payment has to be made within 30 days and if the dealer pays it 10 days earlier then he gets a discount of 2% in the total amount to be paid.

Quantity Discounts: Quantity discounts refer to the price reduction depending on the quantity purchased by the dealer. For example, unit price of Rs 4500 is fixed for scanners if the quantity to be purchased is 50 units. The unit price is reduced to Rs 4300 if the quantity is more than 50 units. These discounts can be offered on the quantity purchased in each transaction or on quantity purchased over a period of time.

Seasonal Discounts: Seasonal discounts refer to the discounts offered during off-season to stem the decline in sales. For example, manufacturers of air conditioners can offer discounts to dealers during winter.

Allowances: Allowances refer to the extra payments made by the company to encourage dealers to participate in special schemes. For example, a company can offer price reductions in the purchase of new products when the dealer pushes off older inventory and can also offer allowances to its dealers to undertake promotional activities like displaying company products at their outlets or organizing promotions within their area etc.

For Silicon computers quantity discounts, seasonal discounts and allowances are the appropriate trade promotion tools. Quantity discounts encourage dealers to buy larger quantities of the product. Dealers in turn push the products to the customers. Seasonal discounts enable the company to maintain sales even in the lean period thus helping to improve market share. Since product life cycles are short in the computer industry, Silicon can clear off its inventory faster by offering allowances.

Answer 80

When the company is facing a crisis situation, it needs to take the help of professionals who have the experience and expertise in dealing with such crises. It should react immediately and swing into action as the company's image or product image gets more affected immediately after the consumer knows about the crisis. Thus to contain damage during this period the company should act fast and arrange a press meet to clarify the apprehensions of the media and the general public. The Company should not avoid the problem, but has to be more transparent in its approach. During the Tylenol poisoning crisis, Johnson&Johnson reacted quickly and used the media extensively to clarify the doubts in the minds of the people. It didn't adopt a confronting approach, but has accepted that the product was poisoned and dealt with the situation transparently. Another PR measure a company needs to take is to discuss the issue with the employees. By taking them into confidence the company can implement the post crisis activities more effectively as they are the people who need to carry on post crisis activities. The company should communicate with the general public and keep them informed about the latest developments of the crisis so as to ward off any rumors that arise due to lack of communication between the company and the public.

Answer 81

Packaging refers to the activity of creating and producing a container for a product. Packaging is often called the fifth P in the marketing mix due to its growing importance in the marketing of a product. If a product is attractively packaged the company can easily promote it. Customers also find a packaged product easy to handle.

In recent years packaging has become a key tool in the hands of the seller. The factors responsible for the growing popularity of packaging as a marketing tool are:

Self-service: The concept of retailing is fast catching up in India. Super markets like FoodWorld and hyper-markets like Giant and Big Bazaar are on the rise. At these marts consumers pick the products themselves, unlike the neighborhood grocery store where the shop owner often exerts an influence on the consumer’s decision. Thus, in a super market packaging has to do the selling. As consumers come across numerous products on the shelves, an attractive packaging, with a description of product features can attract them.

Change in consumer preferences: With incomes on the rise as also time constraints consumers do not hesitate to pay more for a package that offers convenience and good appearance. Consumers feel that packaging reflects the quality of the product. Thus, a well packaged product can create a favorable impression in the minds of the customers.

Innovative opportunity: Innovative packaging can be a win-win proposition for both the consumers and the company. By introducing Chik shampoo in small sachets Cavin Care not only put the company on the path of higher growth but also revolutionized the way consumer products are packed. Consumers find the sachets affordable and the company's market share has increased due to its mass marketing approach.

Answer 82

A PRO needs to take the following decisions:

Setting PR objectives: A PRO has to determine the PR objectives of the company. With increased competition in this field, building awareness about the company and its services and creating a quality corporate brand image is of great importance. With increased backlash in USA against BPO activities by the US companies, the company management should create a positive image among the public. Specific goals based on the objectives set will be useful for evaluation of the results of the PR activities.

Selecting and implementing PR plans: The next step is to develop PR messages that reflect the PR objectives and communicate them through relevant communication channels. The PRO needs to design relevant messages regarding the company that needs to be communicated to customers. The messages can highlight the existing clients' comments about the company and its services and cite its certifications and ratings given by reputed international agencies. The company can send its representatives to industry workshops or sponsor industry events to gain visibility.

The company needs to create a positive image among the public and the government. It can highlight the positive features of the BPO industry to dispel the doubts of the US public that outsourcing is harming US economy. The company can sponsor local events to make its brand more familiar and participate in local government activities wherever it has its operations.

Evaluating the PR results: Measuring the effectiveness of PR activities is one of the tasks a PRO should do. It is difficult to undertake because PR is used to supplement other promotional activities and hence its effectiveness cannot be measured in isolation.

One of the easier ways to evaluate the effectiveness of PR activities is to count the number of exposures that the company has recorded in the media for the time period under consideration. However, such a measure will not give any details about number of people who have read the message i.e., the reach of the message and its impact on them.

An effective measure is to track the changes in product awareness or the attitude of the consumers towards the company before and after the publicity campaign. If there is greater awareness about the company and its services among clients then the PR exercise is termed a success.

Answer 83

Producers use various types of powers to influence their distributors. Some of the powers are explained below.

Coercive power: A company is said to use coercive power when it forces or threatens suppliers to follow its terms and conditions. Such power is used when the suppliers are heavily dependent on the manufacturer. Wal-Mart is the largest retailer in the world. It can use its reach and economies of scale advantage to force suppliers to provide goods and services at a much lower rate than the average market rate. But exercising such power may lead to dissatisfaction among the suppliers and even lead to their using countervailing power.

Reward power: When a company offers its suppliers incentives and extra benefits for doing certain functions, then it is said to be using reward power. While such power can result in better cooperation from the suppliers, it could lead to resentment when such benefits or incentive are discontinued.

Legitimate power: Legitimate power refers to the company requesting suppliers to conform to certain standards as specified in the agreement between the company and the supplier.

Expert power: This type of power can be used by a company when it has expertise in certain areas. Dell has gained expertise in supply chain management, forecasting demand and customer research which benefits the suppliers and in turn it encourages the suppliers to cooperate. Thus Dell can share its expertise in those areas with the suppliers to ensure their cooperation.

Referent power: When a company wields power by making use of its image in the market place, then the company is said to be using referent power. Such power can be used when the company is regarded as a highly respectable one. Thus suppliers feel proud to be associated with that company. Examples include IBM, and General Electric.

Manufacturers gain better cooperation if they resort to referent power, expert power, legitimate power, and reward power, in that order, and generally avoid using coercive power.

Answer 84

The Indian consumer market is dominated by low income group consumers. Consumers of this segment buy the product in small quantities, frequently rather than buying the product in large quantities at one go due to their income constraints. Since large FMCG companies do not offer products in small quantities, small players and the unorganized sector dominate this market. By offering products in sachets, companies make it affordable for consumers. Consumers can buy the products as and when required.

Indian consumers are largely value conscious and low risk takers. This attitude prevents them from trying new products. By offering small quantities of the product in sachets at low prices, companies have reduced the risk perception of consumers. This encourages consumers to try the product. If they feel satisfied they might purchase larger packs.

Sachets are designed for one-time use so companies can also target travelers and people who need the product occasionally.

The needs of a segment of the Indian consumers were met by products packaged in sachets. Since there were no other products available in this form at that time, Chick became an instant hit with Indian customers.

Answer 85

There are three types of distribution strategies. They are: exclusive distribution strategy, selective distribution strategy and intensive distribution strategy.

Exclusive Distribution: Under this strategy, the company distributes its products through very limited intermediaries. It is followed when the company wants to maintain the quality of its services. In some cases, the company makes exclusive deals with franchises to sell only the company's products. This strategy requires greater coordination between the producer and the reseller. Baskin Robbins follows this distribution strategy.

Selective Distribution Strategy: In this case, the company distributes its products through more number of intermediaries than in the exclusive distribution strategy. The product is made available at select outlets that are considered to augment the product image or are near the target markets.

Intensive Distribution Strategy: Under such a distribution strategy, the company sells its products through a large number of outlets. By following it the company seeks to place its products closer to the customer. Kwality Walls follows the intensive distribution strategy.

Answer 86

Companies can take the following measures to resolve conflicts:

Communication: This is an effective measure to sort out differences between the manufacturer and the dealer. Constant interaction with channel members can help the company to identify problems faced by dealers. The company can take corrective steps before these problems increase. Companies can circulate newsletters to its dealers that feature news about the industry in which they are operating and the changes that the company proposes to make in dealer policies.

Dealer councils: Dealer councils are another method to minimize conflicts. These councils consist of dealer and company representatives. Issues relating to dealers and the product are discussed at council meetings. However, these councils are accused of becoming a platform for the dealers to put forth their grievances against the manufacturer.

Super ordinate goals: A company can also resolve conflicts by creating a super ordinate goal that aims at increasing customer satisfaction. The company should encourage channel members to adopt customer satisfaction as their ultimate goal, and ensure that they work towards that goal. This helps in resolving most conflicts.

Mediation or Arbitration: Mediation or arbitration is the final option for a company to resolve conflict. Mediation implies a mutual agreeable person or an entity, adept at resolving conflicts, suggests a course of action that is beneficial to both parties. For the arbitration process, both channel members agree to put forth their arguments before an arbitrator, who may be an individual or a management consultancy like KPMG, and abide by the arbitrator's decision.

Answer 87

There are pros and cons in adopting single tier and two tier channel networks.

Some of the advantages for a company servicing the retailers directly (single tier distribution channel) are:

- Channel members are highly motivated as they are directly serviced by the manufacturer/producer.
- Trade margins are high for the retailers as there are no intermediaries between them and the manufacturer. The manufacturer can also get better profits.
- The manufacturer can achieve cost savings as it can avoid multiple transportation and handling.
- Channel conflicts will be minimal.

Some of the disadvantages associated with the single tier distribution channel network are:

- The responsibility of managing the distribution activities rests with the company and this increases its burden.

- It increases fixed costs as a single tier system involves investment in establishing multiple storage facilities, maintaining transport vehicles and appointing a dedicated workforce for distribution of the product.
- It also leads to inadequate market coverage.

Two tier channel network

A two tier channel network has the following advantages:

- It ensures faster delivery of goods.
- The market coverage is higher and thus there is more penetration of the product into the market.
- A company can use the expertise of the wholesalers to improve distribution operations.

Some of the disadvantages associated with the two tier channel network are:

- Retailers get less trade margins, thus it could lower their motivational levels.
- A company's costs increase as it has to pay higher trade margins to wholesalers.
- Control over distribution operations decreases.
- Conflicts increase due to involvement of more participants in distribution activities.

BFL sells exotic flower bouquets that require special care to ensure their freshness. The product requires a cold chain until it reaches the retail outlets. This requires high investment and effective monitoring. Hence, it is advisable that the company uses a single tier channel to have better control and provide customers with a quality product. If the company plans to expand its market, it may not be possible to distribute its flowers using its own distribution network. BFL should think of appointing distributors who have the experience and the infrastructure to distribute products like flowers. This will relieve the company of the burden of distribution activities. The company can then concentrate on production and packaging while the wholesalers/distributors concentrate on expanding the market.

Answer 88

Wholesalers can be classified under three broad types, depending on the services they offer:

- Merchant wholesalers,
- Brokers and agents, and
- Manufacturer’s retail branches and offices

Merchant wholesalers: They are independently owned entities that distribute the products of various companies. They take ownership of the goods that they distribute. Merchant wholesalers constitute a major portion of the wholesale industry. There are two categories of wholesalers under this classification- full service wholesalers and limited service wholesalers.

Full service wholesalers offer a wide range of services including order picking, carrying the inventory, offering credit, delivering the goods and offering administrative support. These wholesalers usually distribute the goods to retailers. Some carry a wide range of goods, and others carry goods relating to a specific industry like food products, hardware products, garments etc.

Limited service wholesalers perform only a few services. These are in turn classified into various sub-groups-cash-and-carry wholesalers, truck wholesalers, drop shippers, and producer cooperatives.

Cash-and-Carry wholesalers offer goods to the retailers only on cash and carry basis. These wholesalers do not deliver the goods. Metro is the prime example of this type.

Truck wholesalers deliver the goods to the doorstep of the retailers. However, they carry a limited range of goods, usually specific to an industry.

Drop shippers only accept orders from the customers. The delivery of the goods is taken care of by the product manufacturer. When a drop shipper receives the customer order, he looks for a suitable producer who can directly deliver the goods to the customers. Drop shippers do not carry inventory and thus avoid the risks and costs involved in managing inventory. They are in a position to pass on the cost savings so achieved to customers. However, drop shippers take title and ownership of the products until they are delivered to the customers.

Producer cooperatives are owned and managed by farmers. These cooperatives sell the agricultural products produced by their members and share profits among them.

Brokers and Agents: Unlike other wholesalers, they work for commission. These brokers are involved in either finding buyers for the sellers or vice versa. They do not take ownership of the goods, manage the inventory or provide finance and other such services.

Agents gain commission on each product sold but work for the clients on a permanent basis. Agents are of three types-manufacturing agents, selling agents, and commission agents.

Manufacturing agents work for two or more manufacturers. They are responsible for finding customers, handling orders and delivering the goods. These manufacturing agents are used by small and medium businesses whose sales force may not cover the entire market.

Selling agents are hired to sell the manufacturers' entire produce. They virtually manage the entire sales function of an organization. Such agents are hired by companies which are not capable of selling their products or do not want to maintain a sales force.

Commission agents work on commission basis, but take ownership of the goods and look for buyers to sell the goods. These agents are more common in the agricultural sector. They buy the produce from farmers who are unable to sell their goods on their own. They sell the goods at the marketplace and pay the farmer after reducing their expenses and commission.

Manufacturers' sales branches and offices: In some cases manufacturers themselves manage the wholesale business. They open sales branches from where they distribute goods to retailers. These branches maintain inventory, accept orders from the customers, and deliver the goods to the customers. Sales offices, on the other hand, do not hold inventory and but handle order processing activities.

Answer 89

In this case, the association manufactures the products at home and wants to sell these or modified products abroad. The association becomes an indirect exporter as it depends on intermediaries for exports. Some of the intermediaries that the artisans' association can depend for exporting their goods are:

Domestic Export Merchants: These intermediaries buy products from the firm and sell them abroad

Domestic Export Agents: These players look for and negotiate deals with foreign buyers on behalf of the association. They charge a commission on the deals.

Cooperative Organizations: These intermediaries carry out export activities on behalf of different producers. They are partly controlled by the producers.

Export Management Firms: They manage export activities of firms for a fee. Using these intermediaries relieves the exporter of developing an export department, an overseas sales force or foreign contacts. Everything is taken care of by professional export management firms for a fee.

The artisans' association can use the indirect export route so as not to spend large amounts on managing export activities. They can instead concentrate on developing better products for foreign markets.

Answer 90

There are three types of channel conflicts that companies can face-vertical conflict, horizontal conflict and multi channel conflict.

Vertical conflict: This type of conflict takes place when there are differences between two levels of channel partners i.e., between a wholesaler and retailer or between a manufacturer and a wholesaler. Recently Shopper's Stop stopped selling Madura Garments apparel brands at its stores due to the differences arising on the issue of margins.

Horizontal conflict: Conflict arising between two channel members at the same level is horizontal conflict. This could be between two distributors over territories to be shared or between two retailers over undercutting of prices.

Multi channel conflict: Such conflict arises when a manufacturer distributes its products through channels other than the existing channel. For example, if Amway starts distributing products through retail outlets then a channel conflict arises between its two channels – the direct marketing channel and the distributor-retailer channel. Multi channel conflict also arises when the manufacturer opens its own showroom in the area of the dealer who is selling its products.

In the case of the HP and Compaq merger a horizontal conflict may arise between the resellers of both the companies. It is likely that a HP reseller and a Compaq reseller may have been competing in a single market, prior to the merger. After the merger, a conflict may arise between the two resellers over the issue of sharing the territory. There is also a possibility of vertical conflict between the resellers and Compaq. Reseller may not be happy with Compaq's decision to merge with HP and they may cancel their Compaq dealerships.

Answer 91

Cleanex can select six key direct marketing channel alternatives to launch its personal care products. They are - face-to-face selling, direct mail, catalog marketing, telemarketing, teleshopping and online marketing.

Face-to-face selling: Face-to-face selling is a popular form of direct marketing. It involves direct selling by company salespeople. Most industrial product sellers adopt this route. Companies like Eureka Forbes, Amway, and Tupperware have already tested this route for marketing their products. The method is an effective one as salespeople directly interact with customers. However, the cost incurred in marketing the products through this route is high, as the company has to pay compensation and commission to the salespeople.

Direct mail marketing: This channel is also widely used in the industry. Direct mail involves sending product offers and brochures to select customers through mail. Direct mail marketing is different from the direct mail promotion. While direct mail promotion aims at bringing awareness about the product among the customers, direct mail marketing accepts orders and delivers the product by mail.

Catalog marketing: Catalog marketing is also known as mail order marketing. In this type of marketing a catalog, containing a description of a range of products and their corresponding item codes is sent to the customers. Customers place orders by quoting item codes. All transactions are done through mail- from customer placing the order until the customer receives the product and makes payment. J. C. Penney is one of the well-known marketers who use this marketing route.

Telemarketing: Telemarketing refers to marketing of products to customers over the telephone. In this form of marketing, the company first gathers information on the telephone numbers of potential customers. The telemarketing executives calls customers and try to build rapport with them. They describe the product and encourage customers to buy it.

Teleshopping: Teleshopping refers to marketing products using television as a medium. Companies using this type of marketing, air programs in which anchors describe the benefits of the products. At the end of the program, a toll free number and a contact address are provided to enable prospective customers to place their orders.

Online-marketing: Online marketing is an emerging direct marketing channel that is fast gaining popularity. Companies offer products and services on their websites to which customers can log into and place orders. The websites contain information related to features, terms and conditions, and pricing of the product. Customers can browse through the site and place their orders online. Payment can be made online using a credit card.

As Cleanex wants to launch personal care products, direct selling, teleshopping and online marketing would be the right options. Through direct selling the salespeople can explain the product benefits to the customers more convincingly. As housewives tend to view television programs more frequently, teleshopping can target women, who form the major chunk of the personal care market. As the Internet is becoming a popular medium, online-marketing is also a good option.

Answer 92

Wholesaling involves buying of goods in large quantities from the manufacturers or producers and reselling them in relatively smaller quantities to retailers or business houses that use the products for commercial use. Wholesalers include all the individuals and firms who buy goods in large quantities from producers, manufacturers or their agents to resell them for a profit in smaller quantities to retailers.

Wholesalers can be differentiated from retailers based on the way they function. Wholesalers sell goods in large volumes and sell them to retailers or business firms, whereas retailers sell goods in small quantities to the end consumers. Wholesalers concentrate on improving handling efficiencies rather than on promotion. Retailers concentrate on promoting the products, as they have to attract a large number of customers to their stores. To keep their operating costs low wholesalers operate from locations that are away from the down town business districts. Retailers operate at locations that are convenient to or near customers and they maintain a good ambience in their stores. Retailers cover less territory compared to wholesalers.

Wholesalers performs many functions while moving goods from manufacturers/producers to the retailers.

Provide a link: They act as a connecting link between manufacturers or producers and retailers. Producers or manufacturers appoint wholesalers to distribute the goods to retailers who in turn sell them to the end consumer.

Break the bulk: The wholesaler buys goods in larger quantities from the manufacturer and resells them in quantities that suit the retailers' requirements.

Ware housing: Every manufacturer wants to produce goods in large quantities and push them into the market. The wholesaler helps the manufacturer by under taking to buy their goods in bulk and store them in his warehouse until the retailers buy them.

Price stability: Wholesalers play a major role in maintaining stable prices for seasonal goods. For example, wholesalers buy agricultural produces at fair prices from the farmers during the harvest season and sell them at stable prices through out the year. By so doing, wholesalers try to match the supply and demand and control abnormal fluctuations in prices of such products.

Financing: By taking ownership of the products produced by the manufacturer, a wholesaler gives the liquidity that is required for the manufacturer. They also provide credit facilities to the retailers.

Preparing goods for sale: Wholesalers take the responsibility of sorting and packing the products to facilitate their customers (retailers). For example, Wal-Mart's wholesalers take the responsibility of attaching price tags to the goods and dispatching floor ready merchandise.

Transport: Wholesalers take the responsibility of transporting goods from the factory to their warehouses and from there to the retailers. Due to expertise in this field, wholesalers are able to transport the goods to the customers at a lower cost and in a shorter time.

Source of information: Wholesalers act as an information channel between the manufacturer and the retailer. As a wholesaler is in regular touch with the retailers, he can provide the manufacturers with crucial information relating to retailers' needs and the products that are in demand in the market. They also pass on the information relating to new products to retailers.

Risk Bearing: Wholesalers bear the financial risk by storing manufacturers' goods in large quantities. Since they pay the manufacturers before the products are actually sold, they may lose money if the market for such products shrinks or the prices decline.

Sales promotion: Wholesalers promote manufacturers' products to large number of smaller business customers thus reducing the manufacturers' promotion and selling costs.

Answer 93

There are five key policy decisions that a company has to take in the area of dealer management.

Price decision: Malhotra has to first fix the price at which PBIL will sell the product to channel members. The company also has to take decisions regarding discount schemes such as quantity discounts, promotional discounts etc.

Payment terms: Another key policy decision is to set the payment terms and conditions for the dealers. Malhotra can stipulate guidelines regarding cash and credit payments. He also needs to fix the initial deposit that a person has to pay to become a PBIL dealer.

Returns policy: He should also set guidelines for accepting returns. They should include the types of returns the company will accept, the refunds it is going to pay, the time required to process returns and the period within which it will accept returns.

Territorial rights: Demarcating the dealers' territories is another key issue that Malhotra has to focus on. A company usually faces many conflicts in this area. Thus, he needs to clearly spell out the limits within which the dealers can operate.

Mutual services and responsibilities: These decisions are important in the case of franchises such as McDonald's or Dominos. Companies need to set rules and regulations, regarding quality control, customer service standards, promotions and sharing of revenues. Since PBIL is a paperboards' company, dealers have very little scope to provide value added services to the end customer.

Answer 94

Three key sales force structures are used widely in the industry:

Territorial sales force structure: In this structure salespeople are given the responsibility of managing a particular territory. They are responsible for selling all the products in the company's product mix. This strategy has many advantages. The job of each salesperson is clearly defined and in turn, performance can easily be assessed, as each salesperson is responsible for the sales of a distinct territory. It also increases the motivation levels of salespersons. Travel costs also decrease as they travel only within a specified region.

Product sales force structure: A Territorial sales force structure would not suit a company having multiple product lines. With a larger product portfolio, salespeople may not be able to do justice to all the products. In such cases, a product sales force structure would be an appropriate alternative. In this structure, each salesperson is assigned the responsibility of handling a particular product or product line. As each sales person focuses on a particular product line, he/she can develop expertise in that product category and provide better marketing support to the product. However, this approach has a drawback. If a large supermarket wants to carry the entire product mix of a company, it has to deal with different salespeople. This creates confusion in the minds of the customer and increases the time spent in dealing with the company.

Customer sales force structure: In this type of structure, sales responsibilities are divided on the basis of customer or industry. Salespersons are responsible for selling products to a particular customer group. In a typical set up, companies divide customers based on their sales potential and sale persons are assigned accordingly. The top group consists of institutional retailers/customers who have national presence and provide major revenues to the company. One or more than one national account managers are assigned to that particular account. Their responsibility is to understand the needs of the customer and offer relevant products. The next level consists of customers who are not as big as the top group customers. They are spread across a particular region and are handled by account managers. The next group of customers is handled by account representatives. Marketing representatives handle the remaining small accounts. This strategy is used to build long-term relationships with customers, thereby making the organization customer centric.

New Chip Computers has a lot of product lines and therefore, a territorial sales force structure would not be the right option. Instead, it can use the combination of a product sales force structure and a customer sales force structure. Bigger customers can be assigned a particular account manager. Smaller accounts can be serviced using the product sales structure.

Answer 95

Sales quotas are targets set by an organization that sales representatives need to achieve during the year. The quotas are set in terms of sales revenues, number of units, selling effort or activity. The performance of the sales personnel is tied to the level of sales quota achieved. The sales quota is viewed by some analysts as a demotivating factor for the sales personnel, as some companies set a higher quota than a sales personnel can achieve. On the other hand, if the quota is set based on the whims and fancies of the sales personnel, it may result in a decrease in sales and therefore a loss for the company. Thus the right sales quota needs to be set in a systematic manner that is acceptable to both the organization and the sales personnel.

To fix the sales quota, companies usually follow a top-down approach. A company will first devise a sales forecast, which forms the basis for all planning activities such as production, size of the workforce, and financial constraints. Based on the sales forecast, managers decide the sales quota for each territory. That will finally be narrowed down to each sales representative. The total sum of the sales quota is usually higher than the sales forecast. The sales quota is set after various factors are considered. These include the potential of the territory and the past sales in that territory, sales representatives' capability, nature of the territory and competition in that territory. Mainly, companies follow three key methods in setting the sales quota. The first is the *high-quota method* wherein the company sets the sales quota at a reachable but, higher level than a sales representative usually achieves. Companies adopt this method to get their employees to put in their maximum efforts. The second is the *modest-quota method* wherein companies set a sales quota that is attainable. Companies follow this method to make their employees feel confident and motivated on achieving those targets. Some companies use a *variable-quota method* where higher quotas are set for certain sales personnel and modest quotas for others. The variable quota method is the right method, as it is based on the capabilities of each salesperson.

Answer 96

The size of the sales force plays an important role in the effectiveness of the marketing activities of a company. A company has to consider various interrelated factors while deciding on the size of its sales force:

- The volume of sales the company has set out to achieve.
- The level of service the company wants to provide to its retailers/customers.
- The territory it wants to cover
- The cost of maintaining the sales force.

Once the company has set clear objectives, it can decide on the appropriate size of the sales force. The company can either recruit a certain number of sales people and allot the territories to them or asses the total work load and decide the number of sales men required to do it. The second method (work load technique) is more scientific. Prapul can use the following formula to arrive at the number of sales people.

$$\text{Number of salespeople} = \frac{(\text{no of existing customers} + \text{no of potential customers}) \times \text{planned frequency of salescall} \times \text{duration of call}}{\text{selling time available from each sales person}}$$

Since the company is marketing its products for the first time, it should conduct market research to find the market potential in terms of number of customers. These figures can be used in the above formula to decide on the size of the sales force.

Prapul Apparel House can design its sales territories using one of the following methods

- Equal workload method
- Equal potential method

Equal work load method is used to divide the entire market into territories which require an equal amount of a salesperson's time. To generate territories of approximately equal workload, the sales manager has to divide the total number of customers and potential customers to be visited, by the number of salespeople that a company recruited for that particular market. For example, if a particular market has 500 outlets that are to be visited daily and there are 25 salespersons, each salesperson will be allotted a territory consisting of 20 outlets. This method is advisable if the company is operating in a mature market. The draw back of this method is that it does not take into account the future potential of the territories.

Equal potential method divides the markets into territories of equal market potential. This method is not based on the number of customers. It is considered to be better as it takes the future potential of the market into consideration while designing territories and allotting salespersons to them. This enables the company to set appropriate sales targets for the salespersons. As it is new to the market, Prapul can use this method.

Answer 97

In recent years, the concept of online marketing has caught the attention of both sellers and buyers. There are various reasons for this hype. It benefits sellers in various ways. The following are some of the advantages from the sellers' point of view:

- Using the online medium companies can attract customers from across the world thus, eliminating geographic barriers. For example, an Indian publication like the *Times of India* can offers its news services to NRI's located in various countries.
- Using online marketing, companies can provide better customer service. They can offer all their products at one stop. This may not be possible in a physical medium. The website can accept orders 24 hours, thus it enables customers to shop any time of the day. Companies can also offer customized services to the buyers. Online marketing provides the company the facility to track customer online buying behavior and enables it to offer customized products and services to them. Company can make one-to-one marketing to build long term relationships with the customers.
- Online marketing helps the seller reduce costs. A company can reduce its transaction costs by automation of the ordering and payment processes. Automation reduces processing time and effort. Consequently, cost is reduced. Online marketing also reduces channel costs as customers directly order the products through the website. The promotional and communication costs in this case are very limited when compared to other options such as print and electronic media.
- Another advantage is that quick adjustment to market conditions becomes possible. Online marketing provides flexibility in changing the marketing mix according to market conditions. In the case of online marketing, a company can implement a new pricing strategy very quickly. Further, the time required for launching a new product is minimum.

Answer 98

E-commerce can benefit the customer in several ways. The following are some of the advantages that accrue to the customers:

Customers can shop conveniently through E-commerce. They can order goods from home with a click of the mouse. Thus, customers do not have to face hassles such as driving to the stores, selecting the goods and standing in queues at checkout counters. Moreover, customers can shop at anytime of the day-either during daytime or at night. They can even check for goods available across the globe, which may not be possible in a physical environment.

They can also make informed buying as they can take better purchase decisions. With access to a whole lot of information, customers can resort to comparison and select a better option. Customers can search the internet and gather information related to competing products, prices and product features. There are also some consumer rating websites which provide detailed information about the products and their performance. Based on the information, customers can take the appropriate decision. This may not be possible in a physical environment since it will be difficult to gather information about each product by visiting the outlets and enquiring about them. Thus, customers can determine the optimal choice in a more comprehensive and easier way.

Customers benefit from the transparency in e-commerce transactions. All information related to a product such as pricing, product features, terms and conditions are available on the company's website.

Answer 99

Several factors hamper the growth of e-commerce in India. They are as follows:

Infrastructure constraints: Infrastructure constraints are one of the key reasons for the poor response to e-commerce in India. PC penetration in India is one of the lowest in the world at 2.7 for every 1000 persons. Telephone connection, which is the key to Internet connection is very low at 2.6 lines for every 100 people as against the global average of 14.5 lines for every 100 people. Even if consumers have PCs with Internet connection, they are not able to purchase goods online due to low bandwidth, which may not be sufficient for e-commerce transactions.

Payment problems: Another major constraint in the growth of e-commerce in India is the payment process. Credit card is widely used for payments in e-commerce. Credit card penetration is low in India thus e-commerce is patronized by a few people.

Some taxation issues are also involved. The government has not devised proper taxation rules and regulations for e-commerce activities.

Consumer attitude problems: Consumer attitude towards e-commerce and awareness about it is also responsible for poor growth of e-commerce. Most Indian consumers don't have proper knowledge about computers and the Internet. Indian customers are also value conscious. Hence, they buy a product only after evaluating it thoroughly. As the customer cannot touch or feel the product online, e-commerce fails to provide a complete buying experience.

Security issues are also responsible for the poor growth rate of e-commerce. The online frauds in the recent past have also had a bearing on the growth rate of e-commerce.

Answer 100

The following are some of the ways in which a company can influence personal communication channels.

- The company should sign relevant experts or celebrities for featuring in its ads. By selecting relevant experts or celebrities, it can strike the right chord with target customers. For example, a chess champion can endorse a memory power product, thus making the ad more authentic and credible.
- As opinion leaders have a greater impact on consumers, the company can design ads which are targeted at the opinion leaders, who in turn influence other customers. For example, top companies sponsor Golf tournaments, which attract top level managers, who are opinion leaders in their communities. The company can offer trial packs or special packages to the opinion leaders so that they can

see/ consume the product. Brand ambassadors can be chosen from among satisfied opinion leaders.

- Create ads that generate hype and debate about the product. Such debates will give publicity to the product. Most companies use teaser campaigns prior to the launch of the product. Such campaigns generate keen interest in the product.

  The Internet is another medium which can be used to influence personal communication channels. Online forums can increase the popularity of the product. Such forums disseminate product information to customers more effectively. The success of Linux operating system is partly attributed to the interest generated by online forums.

Part D: Model Question Papers with Suggested Answers

The model question paper consists of three parts – A, B, and C, Part A is intended to test the conceptual understanding of the students. It contains 30 multiple – choice questions carrying one point each. Part B consists of cases and carries 50 points. Part C consists of applied theory questions, carrying 20 points. Students should note that ICMR reserves the right to change the format of the question paper without notice. The faculty members of ICMR with a view to assisting the students have prepared the answers. These answers should not be regarded as the only possible answers.

Model Question Paper I

Time: 3 Hours **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. Which of the following power is going to be used when the manufacturer requests a behavior that is warranted under the contract?
   a. Expert power
   b. Referent power
   c. Coercive power
   d. Legitimate power

2. Priyanka called her friend Neha from the Departmental store and informed her about the 50% discount offer of the store. In this example, what roles do Priyanka and Neha play in the communication process and what is the media used?
   a. Encoder, decoder, telephone
   b. Receiver, decoder, television
   c. Message, noise, feedback
   d. Sender, receiver, telephone

3. When two Pepsi Co. product distributors disagree over the territory, this is an example of which type of conflict? On the other hand when a company disagrees with one of its wholesalers, this is which type of conflict?
   a. Horizontal, vertical
   b. Conventional, channel
   c. Good, bad
   d. Minor, major

4. Hot breads and Bakers inn, two major fast food chains, have merged in order to challenge McDonald's superiority in the industry. Hot breads and Bakers inn were once fierce competitors, but now they have joined together to follow a new marketing opportunity. This development is known as _____________.
   a. Contractual vertical marketing system
   b. Horizontal marketing system
   c. Corporate vertical marketing system
   d. Administered vertical marketing system

5. All of the following are advantages to the hybrid marketing system except __________.
   a. More control of the system
   b. Increased sales
   c. More opportunities to tailor products and services for the specific needs of customer segments
   d. Increased market coverage

6. Which one of the following is NOT a major constraint when deciding channel objectives?
   a. Company characteristics
   b. Product characteristics
   c. Competitors' channels
   d. Technological developments

7. What type of distribution would a tube of Toothpaste, a Harley Davidson bike, and a Sony television would require respectively?
   a. Mass, minimal, mediocre
   b. Selective, intensive, exclusive
   c. Intensive, exclusive, selective
   d. Exclusive, intensive, selective

8. A Company must decide on 'how many' and 'what types' of inventory storage and handling facilities it needs, and where they will be located, as a part of which logistics function?
   a. Transportation
   b. Order processing
   c. Inventory
   d. Warehousing

9. Roshan the sales executive of Eureka Forbes would like to sell you some Vacuum cleaners. He represents his company; there are no other intermediaries that sell this product. What type of distribution channel is Eureka Forbes using?
   a. Channel 2
   b. Direct marketing channel
   c. Indirect marketing channel
   d. Both a and b

10. A salesperson whose major task is delivery of a product is known as ________.
    a. Missionary
    b. Deliverer
    c. Demand creator
    d. Order taker

11. There are five ways of classifying retail outlets. Which of the following is not one of them?
    a. Product line
    b. Size of the outlet
    c. Relative price emphasis
    d. Control of outlets

12. "Crossword", the bookstore, is an example of what type of store. "Crossword" would offer which type of product line?
    a. Department, narrow
    b. Supermarket, deep
    c. Specialty, narrow
    d. Convenience, deep

13. Which of the following is not a stage in consumer decision making process?
a. Problem recognition
b. Idea screening
c. Information search
d. Evaluation of information

14. What are the two broad types of communication channels?
a. Informational and persuasive
b. Direct and indirect
c. Emotional and rational
d. Personal and non-personal

15. Shyam wants to open a coffee shop, but he doesn't know how much to spend on promotion. In order to get a rough estimate for the industry's average on promotion budgets, he will go to the library and investigate his predicament. Shyam will most likely start his investigation by looking at trade publications. If Shyam sets his budget according to the industry average, he will be using which method of budget setting?
a. Competitive-parity
b. Percentage-of-sales
c. Affordable
d. Objective-and-task

16. The promotion mix is comprised of four elements. Which of the following is not one of them?
a. Market research
b. Personal selling
c. Advertising
d. Public relations

17. Managers focus on segmented marketing, and marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response. What is this type of marketing called?
a. Sales promotions
b. Catalogue marketing
c. Direct marketing
d. Public relations

18. Which concept is a company following when it carefully integrates and coordinates its many communications channels—mass-media advertising, personal selling, sales promotion, etc.—in order to deliver a clear, consistent, and compelling message about the organization and its products?
a. Strategic telemarketing
b. Integrated direct marketing
c. The integrated campaign concept
d. Integrated marketing communications

19. Which type of advertising is required for launching a new product?
a. Comparison
b. Informative
c. Reminder
d. Comparison

20. Choco flakes is a new cereal bar that Kellogg's plans to launch. Since Choco flakes is a new product, advertising budgets will be quite large in order to build consumer awareness and gain consumer trial. Around what specific factor is Kellogg's building its advertising budget?
a. Stage in the product life cycle
b. Market share
c. Competition and clutter
d. Product differentiation

21. Which of the following is not an Idea generation technique?
a. Brain storming
b. Cost benefit analysis
c. Morphological analysis
d. Forced relationships

22. Agra sweets will start advertising for its new sweet product. It wants to reach 80 percent of his sweet product target market during the next three months. Agra sweets want everyone in its target market to see its ad at least four times. What are the reach and the frequency objectives of this ad campaign?
a. 80%, 4
b. 0%, 3
c. 4, 80%
d. 20%, 3

23. Which of the following involves giving short-term incentives to encourage customers to purchase a product or service?
a. Public relations
b. Sales promotions
c. Personal selling
d. Advertisements

24. Which of the following is not a sales promotion tool?
a. Samples
b. Rebates
c. Coupons
d. Brochures

25. Which of the following is not true regarding public relations?
a. Public relations' impact on society is weaker than Advertising's impact
b. Public relations have a lower cost than advertising
c. Both a and b
d. Neither a nor b

26. When an organization finds interesting stories to tell about the product, or creates news rather than finding it, these actions are part of which public relations decision?
a. Evaluating public relations results
b. Choosing public relations messages and vehicles
c. Implementing the public relations plan
d. Setting public relations objectives

27. Which of the following is not true regarding personal sales man?
a. He carries out market research and intelligence work
b. He does not work as an “account manager” between the seller and buyer
c. He represents the company to customers
d. He finds and develops new customers

28. Which of the following is related to the analysis, planning, implementation, and control of sales-force activities?
a. Salesmanship
b. Sales-force management
c. Recruiting
d. Sales-force development

29. Which of the following sales-force structure have salespeople specializing in selling only a portion of the company’s products or product lines?
a. Territorial sales-force structure
b. Sales-force management
c. Customer sales-force structure
d. Product sales-force structure

30. Today, as products become more complex, and as customers grow larger and more demanding, there is a trend for companies to assign ___________ to large and important customers.
a. A single salesperson
b. A marketing expert
c. A research assistant
d. Sales team

Part B: Caselets (50 points)

Each case carries 25 points.

Caselet 1

Philip Morris International’s (PMI) plan to enter the Indian market with its flagship brand Marlboro (cigarettes) has surprised Indian manufacturers and consumers. It has tied up with the Barakat Foods and Tobacco Pvt. Ltd., to distribute cigarettes under a non-exclusive distribution agreement. PMI has ignored its Indian partner Godfrey Philips India (GPI) in which it has a major stake of 35.9%.

PMI plans to import cigarettes through its branch office in India and entrust the marketing to Barakat Foods and Tobacco Pvt. Ltd. The company plans to target high-end customers and hence their initial launch will be limited to few metros.

PMI had made a cautious entry into India through the import route. This entry strategy enabled it to circumvent the regulatory framework, which is stringent for foreign companies dealing with products like cigarettes. To enter the Indian market, a foreign company needs to get clearance from the Foreign Investment Promotion Board (FIPB) and a local partner (if the company has one). FIPB is not in favor of granting the permission to cigarette companies. This was evident FIPB’s rejection of applications of other cigarette companies like Rothmans and the Indonesian based Sampoorna. Philip Morris’s earlier application for trading in cigarettes was rejected. In 1997 Philip

Morris applied to the FIPB for permission to set up a wholly owned subsidiary, FTR Holdings, for a range of businesses including processed food and beverages. However, Indian companies lobbied strongly with the government to stop its entry. The FIPB did not permit Philip Morris to undertake cigarette manufacturing related activities such as agronomic research, the bulk processing of tobacco and marketing support for processed tobacco. The government was of the view that Foreign Direct Investment in tobacco should not be encouraged. Apart from the FIPB's permission, foreign companies need to get a 'No Objection' Certificate (NOC) from local partners. Foreign cigarette companies have faced some resistance in this regard from local partners. British American Tobacco (BAT's) entry into the Indian market was stalled by ITC. Philip Morris was doubtful about obtaining an NOC from its Indian partner, Godfrey Philips.

Thus Philip Morris Company made a smart move by bypassing the FIPB and its local partner and applying to RBI to set up a branch office in India under the name of Philip Morris Services India Ltd (PMSI). According to government rules, a branch office can import or export goods under an Open General License (OGL). The OGL list includes cigarettes. Thus PMI plans to import cigarettes through its branch office and distribute them to non-exclusive distributors. It has made a three-year non-exclusive distribution agreement with Barakat Foods. According to the agreement Barakat will market and promote product under the supervision of PMSI.

The pricing of the PMSI product is in line with the premium range cigarettes available in India. A pack of 20 pack is priced at Rs 75. Other premium brands such as local made India Kings and State Express and foreign brands such as Benson and Hedges, 555 are priced in the range of Rs. 59-75. PMSI's price includes the countervailing duty of Rs. 29 and a 30% import duty. In order to contain smuggling, the price was fixed keeping in view the prices at ITDC duty free shops. The packaging is done in line with Indian laws on price specifications and statutory warnings.

PMSI has explained its reason for entering the Indian market with out its local partner. The company claims that internationally it has complete control over the strong brands and would like to do the same in India. Though it has a major stake in GPI, it doesn't have the controlling stake. Speaking on this issue Mr. Ajit Sahgal, the General Manager of PMSI, said "Marlboro is a valuable international trade mark for Philip Morris. It is company policy to manage all aspects of the brand under direct control whenever possible and permissible, as is the case in India."

Indian companies are not comfortable with this development for two key reasons. First, Marlboro is the best selling cigarette brand in the world and thus it is expected to give tough competition to Indian brands. Second, this entry gives further impetus to the already rampant smuggling of foreign cigarettes. Contraband cigarettes which occupy 9% of the total market share are one of the key threats for Indian companies. They feel that increased promotion by Philip Morris can increase the smuggling of the cigarettes. Philip Morris dismisses such allegations saying that premium end customers prefer buying a legitimate pack of cigarettes. Moreover, the company says that it will work with law enforcement agencies to fight smuggling through its "Brand Integrity Group". Some analysts say that Marlboro is a high-end product and may not have much impact as the market is smaller. However, Indian companies are trying hard to block the entry of Philip Morris. They are lobbying with the government to increase import duties from the present 30% to 150%. They are also demanding the product be shifted from the OGL list to the 'restricted' list that gives the government the flexibility to hike duties as and when the imports for the product increase. Some companies are suggesting the Indian government follow the Nepal government's policy of setting a fixed price for importing cigarettes to avoid under-invoicing of imports.

An executive from a tobacco company says, "After all, the government policy is to discourage cigarette smoking and various restrictions have been put on domestic companies. So how can you penalize us and encourage foreign brands? We want a level playing field."

Some are also questioning the company's route of entry. They claim that setting up branch office and importing goods comes under trading activity, which is against law.

Some analysts are doubtful about the success of the Marlboro brand. They point out that smoking is habitual and expecting consumers to switch the brand is hard. However, some claim that Philip Morris has gained expertise in wooing consumers to their brands. A distributor for ITC says "Though smoking is a habit and it is difficult to make someone adopt another brand, Marlboro has specialized in doing just this across the globe and India is not going to be an exception." Industry people claim that Philip Morris' key marketing strengths is its brand names. The company has carefully nurtured brands like Marlboro and Bond Street. This is important for products like cigarettes, which are similar in nature. The company has created brands which are difficult for the competitors to imitate. The company has developed a strong image through its globally successful "Marlboro Man" campaigns.

Questions for Discussion:

1. What environmental factors influenced Philip Morris to enter India through the import route? What are the reasons that influenced Philip Morris to favor Barakat Foods over its local partner Godfrey Philips India, to distribute its products?
2. Smoking is habitual and consumers show high brand loyalty. In this context how can Philip Morris succeed in penetrating the market?

Caselet 2

The history of Cola majors in India was marred with controversies starting with Coke, which was asked to leave India by a left-leaning government in 1977. These controversies surrounding the Cola giant did not subside even in its second spell in the country. The protests of nutritionists started ever since these MNCs (Coke and Pepsi) began promoting their products aggressively. However, their protests were lost in the persistent advertising campaigns involving celebrities from the celluloid and sports world on television and other media. Consequently the sales of these MNCs touched six million bottles a year.

The protests sprouted from political, nutritional, or environmental concerns. In 2003, the Pudussery panchayat in Palakkad district where the Coca Cola's Plachimada plant is situated, refused to renew the Coca Cola license, saying the plant was depleting ground water in the region. But the license was renewed after a court intervention.

At this juncture, a BBC report broadcast on its Radio 4 'Face the Facts' program drew the world's attention towards the activities of the cola giant "Coca-Cola." This report claimed that the Coke factory was not only depleting ground water levels in Palakkad, but it was also supplying dangerous, toxic materials (commercial waste) as good fertilizers to farmers, and contaminating the entire food chain.

Despite the BBC study and warnings from the experts, Coke officials reaffirmed that the sludge from the Plachimada factory was 'harmless' and 'good for crops.' They also countered the report saying that "We have done our own scientific studies and found that the fertilizers being supplied to the local farmers are harmless."

While Coke was busy battling these allegations, a report released in August 2003 by the New Delhi-based environmental group, Centre for Science and Environment (CSE), showed the entire soft drink industry in bad light. This report claimed that its laboratory tests discovered that most soft drinks sold in India, including Pepsi and

Coca Cola, were contaminated with large doses of pesticides like Lindane, DDT, Chlorpyrifos, and Malathion. It was found that these products had pesticides in quantities way above the European Union norms prescribed for food products. The study said repeated exposure to these pesticides could cause severe harm, ranging from cancer, liver and kidney damage, to birth defects.

This study triggered a chain of angry protests all over India with the Indian parliament banning the soft drinks at its canteen and the government ordering its own probe[1] into the matter. The cool drinks (the colas in particular) sales registered a sharp decline following this report. The sales were most affected in Kolkata where leading clubs, restaurants, and retailers stopped selling aerated drinks. In many other cities schools and colleges stopped the sale of aerated drinks in their canteens.

Pepsi's Indian subsidiary and bottler Pearl Drinks appealed to the Delhi High Court urging a stay of the publication of the "dubious" report released by CSE in its August 5th press conference. In its plea, Pepsi said the research methods used by CSE were "suspect" and urged the court to direct the government not to base its policy on the CSE's report.

A day after the report was published; both Coke and Pepsi came out with similar large press ads in national dailies assuring consumers about the impeccable quality of their products. They even organized a joint press conference – challenging the CSE allegations.

Both the players (Coca Cola and PepsiCo) adopted a wait-and-watch approach until the joint parliamentary committee released its final findings. At this juncture, a message read out by the Union health minister Ms Sushma Swaraj to the members of the parliament came as a relief to the cola giants. She assured the members that all the 12 soft drink brands tested by the Central Food Technological Research Institute (CFTRI), Mysore, and the Central Food Laboratory (CFL), Kolkata, were found to conform to the Prevention of Food Adulteration (PFA) rules and they were well within the safety limits as per the existing standards of packaged drinking water. However, she informed that nine brands had pesticide contents above the limits prescribed under the European Union (EU) standards. The health minister hinted that the government may consider applying EU norms for water used in soft drinks.

The government's statement in the Lok Sabha that the pesticides content in soft drinks was well within the prescribed standards for bottled water "at present", was termed as "very unfortunate" by the CSE. CSE Director Sunita Narain, however, welcomed Health Minister Sushma Swaraj's statement that the government might consider applying European Union norms for water used in soft drinks.

With the partial relief given by the statement of the health minister, Mr Sunil Gupta, Vice-President, Coca-Cola India, said that the company was working on various strategies to `recharge its connect' with the consumer. He said that the strategy for reconnecting with the customer was in the conceptualization stage and it could include television, print and online advertising, on-ground activity, and meeting up with retailers.

Mr Shashi K. Kalathil, Executive Director (Marketing), Pepsi Foods, said, "This controversy has caused damage to our brand equity. We can't walk away from that. Reassuring the consumer has to be done from a platform that is credible enough."

According to news from sources close to the inner circles at PepsiCo, Pepsi would not resort to television advertising to counter the pesticide issue as this would keep the controversy fresh in the consumer's mind.

[1] The job was entrusted to a 15-member Joint Parliamentary Committee (JPC)

Coke continued its 'thanda' series of advertisements featuring Amir Khan. The latest ad in this series was a teaser which did not directly talk about the controversy. Pepsi Co. did air an advertisement (starring Shah Rukh Khan and Sachin Tendulkar) relating to the safety of their products. The ad showed Shah Rukh telling viewers that his Pepsi was certainly never 'safe'…from the desirous eyes of people (like Sachin) who wanted to get hold of his drink. Pepsi used this advertisement to claim that people still craved for Pepsi as before.

Questions for Discussion:

1. Comment on the way Coca Cola and Pepsi Co. handled the controversies that hit them.
2. How should a company handle a crisis situation? What type of marketing communication plan should the cola giants have adopted to stop the crisis from blowing out of proportion?

Part C: Applied Theory (20 points)

All questions carry equal points.

1. Aston Pistons is a small-scale automobile components manufacturer. Till 1991, the company had few competitors and it registered a consistent annual growth of 20% in its sales. However, with the liberalization of the economy, competition increased. Cheap imports also entered the Indian market and the company lost several important clients. Consequently, its sales decreased. In 2002, the company suffered its first ever loss. The management was puzzled at the fall in sales when its products were inferior to none in terms of quality. The company hired a reputed consulting firm to study the reason behind the fall in sales. After studying various internal and external aspects, the firm concluded that Aston's poor performance was due to lack of market orientation. The solution it felt, lay in the adoption of the marketing concept. What is the marketing concept and how can Aston Pistons benefit by adopting it?

2. Vision Tech electronics is launching a high end television model. The marketing manager is deliberating on the price that needs to be set. For this the manager is considering various factors. What are the possible factors that influence the pricing decision?

3. J. K Electronics is a consumer electronics company which has a product mix consisting transistors, CTVs, music systems and VCRs. Due to the stagnating sales for most of its products, the company plans to launch contemporary products like VCD and DVD players into the market. What promotion budget needs to be earmarked for these new products? What methods can be considered for setting ad budgets for these products? Which method is appropriate for J.K Electronics?

4. SuperMart is a leading super market chain in South India with 50 branches spread across South India. National and regional brands of consumer goods are sold at its outlets. It now wants to launch its own brand of consumer products in all its stores. Initially it is planning to launch pickles and jams under the brand "Superfoods". What kind of test marketing can it undertake to evaluate the response from consumers about these products?

Model Question Paper II

Time: 3 Hours **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. Mr. Lal stopped by the "Nilgiries" yesterday and bought a couple of chocolate bars and a squash. The "Nilgiries" only carries a limited line of high-turnover goods. This store is an example of a ___________.

a. Supermarket
b. Department store
c. Superstore
d. Convenience store

2. Which type of retail institution will sell standard merchandise at lower prices by accepting lower margins and selling at a higher volume?

a. Department store
b. Catalogue showroom
c. Off-price retailer
d. Discount store

3. When a firm sees its competitors as all companies that compete for the same consumer dollars, they are concerned with which level of competition?

a. Brand
b. Industry
c. Form
d. Generic

4. Which of the following are corporations that combine several different retailing forms under central ownership and share some distribution and management functions?

a. Corporate chains
b. Merchandising conglomerates
c. Voluntary chains and retailer cooperatives
d. Franchise organizations

5. Which of the following is not true regarding automatic vending machines?

a. The price of vended goods are often 15-20 percent lower than those in retail stores
b. Vending machines offer greater convenience
c. Equipment is expensive and labor required for maintenance is costly
d. Customers must tolerate machine breakdowns

6. Which of the following is a concept of retailing that states that new types of retailers usually begin as low-margin, low-price, low-status operations but later evolve into higher-priced, higher-service operations, eventually becoming like the conventional retailers they replaced?

a. Retailers decision making process
b. Wheel of retailing concept
c. Market positioning concept
d. Product-life cycle

7. Which of the following is not a major method of advertising pre-testing?

a. Portfolio tests
b. Direct rating method
c. Laboratory tests
d. Behavioral tests

8. New salespeople need supervision; we can't just have these people running around the establishment without a clue. Through supervision, what does the company do to make the sales force to do a better job?

a. Intimidates, manipulates
b. Directs, motivates
c. Manages, encourages
d. Rewards, compensates

9. Sweta just started her new job as a car salesperson. She feels very nervous and scared today, because it is her first day on the job. Actually, she threw up this morning; she's not doing very well at all. Sweta knows that she will face aggressive, competitive salespeople, and difficult customers; she needs motivation. Which of the following are not examples of management motivation, morale and performance boosters?

a. Organizational climate
b. Positive incentives
c. Threats
d. Sales quotas

10. Which of the following is the process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders?

a. Relationship marketing
b. Global marketing
c. Transaction marketing
d. Personal marketing

11. Individuals and households who buy goods and services for personal consumption are the final consumers. What do these final consumers make up?

a. Competitors
b. Consumer markets
c. Buyers
d. Institutional markets

12. Alok and Sam are best friends; they engage in regular but informal interaction. Their relationship is classified under which group?
a. Primary
b. Reference
c. Secondary
d. Rational

13. Which of the following is not a psychological factor that influences a person's buying choice?
a. Perception
b. Lifestyle
c. Learning
d. Motivation

14. Persons or firms that adopt an innovation are often classified into five groups. Which of the following is not one of them?
a. Innovators
b. Early adopters
c. Late majority
d. Loners

15. Rajneesh just bought a new bike. He made his purchase on impulse, and now that he's received some negative feedback from his friends, he feels uneasy and dissatisfied with his new bike. What is this dis-satisfaction known as?
a. Postpurchase dissonance
b. Satisfaction-seeking behavior
c. Behavior
d. Complex-buying on-habitual dissonance

16. Rohan is just about to run out of tooth paste. He goes to the store and picks out the brand he usually buys. Which type of buying behavior is displayed by Rohan?
a. Risk maximizing buying behavior
b. Habitual buying behavior
c. Variety-seeking buying behavior
d. Complex-buying behavior

17. What type of buying behavior is demonstrated in situations characterized by low consumer involvement, but significant perceived brand differences?
a. Risk minimizing buying behavior
b. Habitual buying behavior
c. Variety-seeking buying behavior
d. Complex-buying behavior

18. Which individuals are members of the firm who indirectly affect the purchase decision process?
a. Influencers
b. Buyers
c. Gatekeepers
d. Deciders

19. Which of the following terms refers to a person(s) who controls information or access, or both, to decision makers and influencers?
    a. Influencer
    b. Gatekeeper
    c. Decider
    d. Buyer

20. Which of the following explains using one brand to advertise another non-competing brand?
    a. Cross-promotion
    b. Tie-in promotion
    c. Trade-promotion
    d. Business-promotion

21. Which one of the following is not part of the business buying process?
    a. Problem recognition
    b. Alternative analysis
    c. General need description
    d. Product specification

22. A buyer will usually require detailed written proposals or a formal presentation from each potential supplier in which stage of the buying process?
    a. Problem recognition
    b. General need description
    c. Supplier selection
    d. Proposal solicitation

23. Which of the following is not true about government markets?
    a. Non-economic criteria also play a role in government buying
    b. Government buying practices often seem simple and uncomplicated to suppliers
    c. The government market offers large opportunities for many companies
    d. Government buyers are affected by environmental, organizational, interpersonal, and individual factors

24. Buyers often buy from suppliers who, in return, buy from them. What is this practice called?
    a. Reciprocity
    b. Systems buying
    c. Leasing
    d. Long-run relationships

25. These buyers view a company's products as very important and demand the deepest discount and the highest service. They are aware of the alternative suppliers, and are ready to switch at the slightest dissatisfaction. This type of buyer is known as ____________.
    a. Bargain hunters
    b. Relationship buyers
    c. Transaction buyers
    d. Programmed buyers

26. In evaluating different market segments, a firm must look at three factors. Which of the following is not one of these factors?
a. Company objectives and resources
b. Segment size and growth
c. Segment measurability
d. Segment structural attractiveness

27. McDonald's markets the Big Mac all over the world. They market the juicy beef patty on the tasty sesame bun regardless of the geographic location. McDonald's pursues the entire global hamburger market with one offer. What type of market-coverage strategy is this?
a. Uniform marketing
b. Differentiated marketing
c. Concentrated marketing
d. Undifferentiated marketing

28. Nike designs different shoes for different consumers. In addition, they have different advertising campaigns for each target market that they want to reach. This is an example of which type of market-coverage strategy?
a. Uniform marketing
b. Concentrated marketing
c. Undifferentiated marketing
d. Differentiated marketing

29. According to consumer surveys, QWIKY'S coffee tastes great. The makers of QWIKY have positioned their product according to product __________.
a. Benefits
b. Usage occasions
c. Attributes
d. Users

30. Which of the following marketing channels are used to deliver the physical product or service to the buyer or user?
a. A communication channel
b. A distribution channel
c. A selling channel
d. A dialogue channel

Part B: Caselets (50 points)

Each case carries 25 points.

Caselet 1

Bajaj Auto is the leading automobile company in India with interests in two wheelers, three wheelers and utility vehicles. It logged a turnover of Rs. 5070 crores and net profit of Rs 538 crores for the year 2002-2003. Its flagship product Chetak scooter was the largest selling two-wheeler in India for 35 years commanding a market share of 65%. Since 1997, increase in competition and change in market conditions has led to dilution of its market share. Competition increased with the entry of companies like

LML and Kinetic. At the same time consumer preference towards scooters declined. With increase in fuel prices, fuel efficiency has become one of the criteria while selecting a two wheeler. Youth have emerged as a key market segment, looking at sleek and stylish products. Even the rural customers, who were patrons of scooters, shifted their preference to sturdier and fuel efficient bikes. Such developments led to the increase in popularity of motor cycles, which are stylish and at the same time fuel efficient. Bajaj Auto did not pay attention to these developments and underestimated the growth in the motor cycle segment. It tried to capture the growing motor cycle market by launching a few motor cycle models, but was not able to make much headway. The market share of scooters in the two wheeler market declined from 33% in 2000 to 25% in 2001 and simultaneously the share of motor cycle segment increased from 48% to 58% (it peaked to 74% in 2003). Within the scooter segment, the market share of Bajaj Auto shrank with the entry of LML and Kinetic Motors (See Exhibit 3).

The result was that Hero Honda which focused on the motor cycle segment improved its position in the market. Hero Honda became the largest two wheeler company in India displacing Bajaj Auto in 2001 (See Exhibit 2). Hero Honda's success can be largely attributed to its highly successful mid-segment bike Splendor. The mid-segment bikes constitute half of the motor cycle industry volumes and profits. Nearly 70% of Hero Honda profits come from Splendor and Passion (which is another mid-segment bike). Bajaj Auto could not make a successful entry into the mid-segment motor cycle market. It tried to capture this market through the launch of Caliber (in 1998) and Caliber Croma (in 2001) but without much success.

Analysts felt that Bajaj lacks R&D capabilities and does not have the technology to get a lead in the motor cycle market. They also felt that the company's products are not well designed and are not stylish. But with the successful launch of its model Pulsar (in Nov 2001) and remodeled Caliber named Caliber 115 (in March 2003), the company has made a dent in Hero Honda's market share. These successes also changed the perception of the company as a company that doesn't move with the times. Rajiv Bajaj Joint Managing Director, Bajaj Auto was not content with these successes. He wants to make the company what he calls as "a high-quality, highly productive maker of world-class products". He focused on regaining the title of the 'largest two-wheeler manufacturer' for his company.

In order to improve its market share, Rajiv Bajaj felt that the company should develop new products that are different from the present two wheelers available in the market. According to Rajiv Bajaj the present models of Pulsar-Splendor-Caliber-Victor segment cannot continue for a long term. This view led to the launch of Project K-60 in mid 2002 which aimed at developing a new two wheeler that can redefine the two wheeler market and become a growth engine for Bajaj Auto for the next ten years. The company plans to launch the new bike by March 2004. The top brass of the company realized that the new bike needs to provide superior value proposition to the present bikes, to attract customers. The company proposed to develop a mid-segment bike that can offer the fuel efficiency of Boxer, the style and power of Pulsar, priced in the range of mid-segment bikes. The management felt that such a value proposition would have immediate takers.

The launch of project K-60 has another dimension; it was to show the world Bajaj Auto's new product development capabilities. Till the early 1990's Bajaj Auto put very little efforts in new product development. With Rajiv Bajaj taking charge in 1991, things have changed. In 1995-96 Rajiv started focusing on product development. He tried to build a new product development team from scratch, through hiring competent people, making facilities well equipped with world class equipment. At present with 100 people in the R&D team and 400 people in product engineering the new product development team is in full strength, developing 5-6 new models simultaneously. The new products are also being rolled out in shorter period of time (from 3-5 years previously to 22 months at present).

For Project K-60 a dedicated R&D team headed by Joseph Abraham was formed. The initial design was done by Ravi Darad an in-house stylist. But the team was not content with the design and the product could not move beyond the clay model stage. At that stage the team felt that outside assistance could help them move forward. Bajaj Auto also wanted to speed up the development process. Thus, the company roped in renowned motorcycle stylist Glynn Kerr, a Britisher residing in France to assist them in the designing process and reduce the product development cycle. Kerr guided Darad and his team for 60 days in fine tuning the design and layout.

The key innovation in this bike is the DTSi (digital twin spark ignition) engine technology that has been developed by the team. DTSi technology based engine is fitted with two spark plugs instead of one in the conventional bikes. When the fuel-air charge is injected into the cylinder and is compressed, the first plug fires and the mixture explode, leaving some fuel unburned. The second plug burns the residual fuel. This increases the fuel efficiency and reduces the exhaust gases. Power also increases due to this technology. At present this technology is mainly used in high end cars like Alfa Romeo and Mercedes Benz. It is also used in high end motor cycles like Ducati. The company claims that it is the first to offer this technology in below 250 cc bike segment. Good results were achieved when the technology was used in new Pulsar models (which are to be launched in Nov 2003) that increased the Pulsar's top speed to 120 kmph from 111 kmph. Fuel efficiency also increased from 77 kmpl to 85 kmpl. Bajaj has applied for a patent for this technology.

Based on the final designs the team developed nearly 30 prototypes for testing for its design specifications and ability, in the company's dedicated prototype shop. Later they were tested in their state-of-art-laboratory. They are also sent for 35,000-km vehicle endurance tests at its 3 km testing track at Chakan. The company planned to price the bike in the mid-segment market range and also expects an operating margin of 10% on each bike sold. For this the company has planned the costs from day one. It has partnered with the best vendors and used their expertise and suggestions in keeping the costs low. It has also taken feed back from customers and incorporated their suggestions. With these efforts the company could achieve its target price of Rs. 40,000, and at this price it can obtain 10% operating margins.

The bike has now entered the pre-production stage. It will soon be sent to select customers across the country for test marketing and obtaining a feedback. Bajaj Auto plans to launch the product in April 2004. If the bike succeeds in the market, the company expects to get Rs. 1,700 crore-2,000 crore revenue and Rs. 150 crore -200 crore operating profits from the product. The bike may also help the company in breaking the Hero Honda's dominance in the market.

Exhibit 1

Trends in Sales of Two Wheelers (in figures)

CATEGORY	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Scooters / Scooterettee	1199543	1274815	1232432	1297115	1233781	876252	908268	835508
Motorcycles / Step Throughs	760931	928329	1085976	1360196	1761439	2114693	2887194	3705893
Mopeds	583843	635617	598943	646114	698321	643461	408263	332588

Exhibit 2 Trends in Market Shares of Motorcycle manufacturers (%)						
Company	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Hero Honda	25.99	32.10	35.24	42.19	50.00	50.89
Bajaj Auto	29.85	30.80	28.67	22.47	21.11	22.61
TVS Motors	15.22	16.33	17.25	15.86	16.10	14.20

Exhibit 3 Trends in Market Shares of Scooter Manufacturers (%)						
	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Bajaj Auto	55.02	48.04	48.40	46.94	40.87	42.65
LML	22.05	27.73	25.36	22.65	23.62	23.11
Kinetic Motors	11.75	13.10	9.82	12.14	16.01	15.59
TVS Motors	0.56	0.64	6.21	7.75	11.08	13.09

Questions for Discussion:

1. Analyze the need for Bajaj Auto to undertake a new product development.
2. Outline the new product development process at Bajaj Auto.
3. Analyze the rationale of Bajaj Auto in adopting target costing method for pricing the new product.

Caselet 2

Salt, once a commodity product, has now become an FMCG product with top business groups launching branded salt products with heavy promotions and unique positioning. At the end of the year 2000, the branded salt market had as many as seven players vying for consumer mind-space and a market share.

The salt market in India can be broadly classified into the branded and unbranded sectors. In the 1980s, the Indian salt market (both organized and unorganized) was estimated to be about 5 million tonnes per annum and was valued at Rs 5 billion. Salt penetration in India is estimated to be 93.8% (96.8% in urban areas and 92.7% in rural areas). The highest salt penetration levels were in big towns (98-99% penetration).

Till the early-1980s, most Indian households used either local brands of salt or unprocessed/unrefined salt that was sold loose (not packaged). The product was regarded as a commodity and the extent of user involvement in its purchase was extremely low. As a result, no national-level corporate ventured into this segment. However, one of India's leading business houses, the Tatas, saw immense potential in this market and decided to launch a national brand of kitchen salt.

The product was launched in August 1983, and the company positioned it as a salt that was processed (cleared of all impurities) and refined, unlike 'loose' salt. Emphasizing the fact that it was the 'first packaged salt,' Tata Salt highlighted the issue of impurities in salt sold in the loose form or sold by local brands. The decision to enter the branded kitchen salt market paid off well and Tata Salt became a runaway success. The fact that there were no other brands to compete with at the national level helped Tata Salt a lot.

In 1991, DCW Home Products Ltd., launched its brand of salt under the name 'Captain Cook.' The unique selling proposition of the Captain Cook salt was its 'free flow'. Captain Cook was marketed through major advertisement campaigns, unlike Tata salt whose advertising support was negligible. Humorous TV commercials for Captain Cook emphasized the 'free flowing' attribute of the brand, and compared it with the sticky, messy salt used hitherto (the reference to Tata Salt was rather evident). Thanks to Captain Cook's promotional efforts, customers actually began regarding the 'free flowing' attribute as an important one, much to Tata Salt's chagrin.

To counter Captain Cook's 'free flow' campaign, Tata Salt launched a new campaign with a tag line stating that Tata Salt was the 'saltier salt.' The company advertised and marketed it by showing that adding even a little Tata Salt to a dish was enough to get a good taste, unlike the salt manufactured by other brands. It emphasized that a packet of Tata Salt would last longer than those of other brands owing to its high salt concentration. Apart from this, Tata Salt also included the free flow proposition in its advertisements, although in a rather subtle manner.

While Tata Salt and Captain Cook fought it out in the market, HLL entered the fray with its 'Annapurna' salt brand in 1996. Annapurna was the first brand that was positioned primarily on the health benefits platform. HLL highlighted the issue of iodine content in the salt and claimed that it was higher in Annapurna than in other brands. Analysts said that the fact that iodine content had not been used as a positioning plank till then was rather surprising, since a large number of people from developing countries such as India were found to be iodine deficient and iodized salt was as an easy way to offer this essential nutrient to them. Adding the minimum required level of iodine to salt was mandatory; a minimum of 15 parts per million of iodine is required for trading in salt. However, the penetration of iodized salt in the country was very low at 5%. Within a short period, the brand reached the second position in the branded salt market.

In the late 1990s, salt began losing its 'commodity' status in the country – at least in urban India, which seemed to have taken to branded salt in a big way. Industry watchers noted that the market was following the global trend of commodities becoming brands as the markets for 'traditional' brands reached saturation levels. However, even they were not prepared for the frequency with which new brands entered the segment in this phase. While there were only three brands in the market between 1983 and the mid-1990's, the market saw the entry of five national-level players in the late 1990s.

In January 1998, Dabur India Ltd., launched its salt under the brand Nutrasalt. Dabur advertised Nutrasalt as a salt with low sodium content and positioned it on the health platform.

In November 1998, Marico Industries, which owned the popular Parachute (hair oil) and Saffola (cooking oil) brands, launched Saffola salt. Marico joined the Nutrasalt category of premium salts by pricing Saffola salt at Rs 20 per kg. Saffola salt was packaged in a reusable jar and was also positioned on the health platform, being mineral enriched low sodium salt.

The launch of Nutrasalt and Saffola salt was viewed with skepticism by many analysts, who said that the pricing strategies adopted by Dabur and Marico did not make sense. They doubted whether consumers would pay Rs 20 for a kilo of salt when Tata Salt, Annapurna and Captain Cook were available at Rs. 6, Rs. 6 and Rs. 7 respectively.

Another Indian FMCG major, Nirma, entered the salt market with its brand, Nirma Shudh, in 2000. Nirma claimed that since the entire manufacturing process of Nirma

Shudh was free from human intervention right from the pumping of seawater to the packaging of salt, it was of better quality.

Dandi salt was launched in October 2001 by the Kunvar Ajay Group of Industries (KAG) and was positioned on the purity platform with the focus being on the fact that it was 'triple refined.' What set Dandi apart from other brands was the way KAG promoted the brand. The company seemed to have been the first one to realize the importance of frequent airing of short and strong advertisements to influence the buying behavior of consumers for a low-involvement product category like salt. KAG spent Rs 80 million on promoting Dandi and aired its commercials on almost all major TV channels in the country.

The next company to enter the market was Cargill India Ltd., in December 2001 with the 'Naturefresh' brand. Naturefresh was also positioned on the health platform— the difference being that the salt was enriched with calcium and magnesium along with iodine. The company also claimed that its brand of salt was the most granular salt available and was processed to remain free-flowing under all weather conditions.

Though Tata Salt and Annapurna were well-established brands, they could not afford to turn a blind eye to the success of the new brands. Both Tata Salt and Annapurna realized that in order to hold on to their market shares, they would have to put in place measures to help their brands remain the 'salt of choice.' Both Tata chemicals and HLL decided to reposition and relaunch their brands towards this end.

HLL re-launched Annapurna Salt in 2001 with a new patented technology that prevented the loss of iodine during all the stages – storage, transportation and even cooking. Given the concern for iodine intake in the country, the brand was expected to benefit from this new salt processing technology. HLL also tied up with the International Council for Control of Iodine Deficiency Disorders (ICCIDD), a worldwide organization that educated people about the importance of iodine and the adverse effects caused by its deficiency. Annapurna salt was the first brand in India to have ICCIDD endorsement.

In late 2001 Tata Chemicals re-launched Tata Salt with a new advertisement campaign that added a patriotic angle to the purity issue. The new advertisements, released in August 2002, featured ordinary people performing their duties with integrity and commitment and saying 'Maine desh ka namak khaya hai.' The campaign was used to reassure Tata Salt users of the fact that 'by using a pure salt he is a pure human being.' The company also changed the packaging of the product, making use of bold orange stripes in place of the earlier green stripes.

Despite the fact that the number of players in the branded salt market had increased by the end of the 1990s, 70% of the total market (17 million tonnes) remained in the hands of the unorganized sector even at the end of 2002. Except for companies like KAG, most of the organized sector players were FMCG giants with strong financial and marketing backing, and even they were few in number. Though the market has minimal production costs and entry barriers, not many seem to be willing to enter the fray.

Questions for Discussion:

1. Analyze the evolution of the organized segment of the Indian salt market.
2. What marketing strategies did the big players adopt to transform a commodity into a branded product?
3. "What set Dandi apart from other brands was the way KAG promoted the brand". Comment.

Part C: Applied Theory (20 points)

All questions carry equal points.

1. What are the various factors that influence customers' expectations relating to a service? How can a retailer use the GAPS Model to improve customer service quality?

2. J.H. Enterprises a supplier of stationary products recently started selling to business clients. It found that unlike consumer buying, business buying involves more number of participants. What are the various roles that participants play in the business buying decision process? What should J.H Enterprises focus on while marketing its products?

3. Microsoft announced a limited-time (from Sep14, 2000 to Jan 15, 2001) promotional price of $59.95 for the Windows® Millennium Edition (Windows Me) operating system. The product was made available at this price to Microsoft® Windows 98 or Windows 98 Second Edition customers who wanted to upgrade their system to the Windows Millennium Edition. Why do companies offer products at promotional prices? What are the various promotional pricing strategies that are used by marketers?

4. Preetam Singh of Marks (Marketing consultancy) feels that the traditional motivational tools that are effective in maintaining and enhancing the performance of a workshop employee fail miserably in motivating sales representatives stationed in a territory away from their company. What are the environmental factors that influence the performance of sales representative? How can sales managers motivate them?

Model Question Paper III

Time: 3 Hours **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. Metro, the shoe store, has an amazing staff. Metro employees are always friendly, patient, and pay extra attention to their customers. The Metro Company has exceptionally trained staff, which is a competitive advantage for them. What type of differentiation can Metro use to gain competitive advantage?

a. Services
b. Product
c. Personnel
d. Image

2. Which of the following includes not only a product's core benefit and its physical form, but adds other sources of benefits like service, warranty, and image?

a. Core product
b. Augmented product
c. Actual product
d. Demented product

3. Which types of product are bought by final consumers for personal consumption?

a. Specialty products
b. Unsought products
c. Consumer products
d. Shopping products

4. Mrs. Sujata just bought a sofa and matching curtains. Furniture is an example of which type of product?

a. Unsought
b. Specialty
c. Shopping
d. Convenience

5. Lakme's products enjoy higher brand loyalty, name awareness, perceived quality, and other assets such as patents, trademarks, and channel relationships. This implies that Lakme has high _________.

a. Brand strategy
b. Brand loyalty
c. Brand equity
d. Brand preference

6. Salim makes T-shirts for "lifestyles". He does not sell the shirts under his own Salim label. Instead, he sells the shirts to "lifestyles" and they use a store label. What is this type of branding called?
   a. Manufacturer's brand
   b. Licensed brand
   c. Co-brand
   d. Private brand

7. Which of the following is not true regarding private brands?
   a. Private labels decrease customer loyalty
   b. Private brands are hard to establish
   c. Private labels yield higher profits for the Intermediary
   d. Private brands are costly to stock and promote

8. Which of the following allows companies to enter new markets with minimal risk or investment?
   a. Independent manufacturing
   b. Licensing
   c. Private labeling
   d. Joint ventures

9. Which of the following is not true regarding product labeling?
   a Labels might promote the product through attractive graphics
   b Labels identify the product or brand
   c Labels might also grade the product
   d Labels always bear safety warnings

10. Which of the following is not a function of public relations officer?
   a. Product publicity
   b. Counseling
   c. Lobbying
   d. Brand building

11. From where does the majority (more than 55%) of new-product ideas come?
   a. Distributors, suppliers, and others
   b. Internal sources
   c. Customers
   d. Competitors

12. Which stage in the new-product development process deals with evaluating a new project's sales, costs, and profit projections to determine whether they satisfy the company's objectives?
   a. Business analysis.
   b. Marketing strategy development
   c. Test marketing
   d. Product development

13. Which of the following is not a decision making unit in consumer goods buying process?
    a. Buyers
    b. Deciders
    c. Influencers
    d. Gatekeepers

14. What type of power is used when a manufacturer threatens to withdraw a resource or terminate a relationship if intermediaries fail to cooperate?
    a. Reward power
    b. Legitimate power
    c. Referent power
    d. Coercive power

15. During which stage of the product life-cycle are sales zero and the company's investment costs on the rise?
    a. Introduction
    b. Growth
    c. Product development
    d. Decline

16. Two months ago, Shoppers stop introduced "Cargo trousers." Last month, the shop enjoyed unbelievable success. This month however, the sales are non-existent. What type of product is the "Cargo trousers?"
    a. Style
    b. Fashion
    c. Classic
    d. Fad

17. For the past couple of decades, McDonald's has served North America burgers and fries. Currently, they are expanding their menus and their markets. Their sales are still not increasing; they are in fact slowing down. Which stage in the product life-cycle are they in?
    a. Introduction stage
    b. Decline stage
    c. Maturity stage
    d. Growth stage

18. A company will set a high price in order to maintain quality and afford the high costs of R&D. This marketing objective is known as __________.
    a. Social price
    b. Current profit maximization
    c. Cost recovery
    d. Product-quality leadership

19. Mr. Venkatesh wants to sell posters for his conference. He wants the cost to be Rs.2/poster. He will base his production and development costs accordingly. What is this type of pricing strategy known?
    a. Target costing
    b. Non-price targeting
    c. Current profit maximization
    d. Social pricing

20. Yesterday, Ramu made five pairs of shoes. Each pair cost him Rs.200 to make. Today, he made ten pairs of shoes, and each pair cost him Rs. 150 to make. The more shoes he makes, the more his average costs decrease. What is this phenomenon known as?
    a. The experience curve
    b. An economy of scale
    c. The learning curve
    d. All of the above

21. Commodities such as milk and bread have a consistent, steady demand. Change in prices for these products does not affect their demand. What type of demand do these products have?
    a. Elastic
    b. Consistent
    c. Inelastic
    d. Constant

22. Which of the following is not an external factor that affects pricing?
    a. Market demand
    b. Manufacturing Costs
    c. Competitor's prices and offers
    d. Economic conditions

23. According to value-based pricing, prices are set based on __________ rather than on the seller's costs.
    a. Buyers' Income
    b. Competitor's prices
    c. Buyers' perceptions of value
    d. Past prices

24. Which of the following is NOT an example of Competition-based pricing?
    a. Sealed-bid pricing
    b. Cost-based pricing
    c. Both a and b
    d. Going-rate pricing

25. As small companies begin to achieve success, they tend to adopt some of the tools used by professionally run marketing companies. According to this sign the firm is in which stage of marketing practice?
    a. Entrepreneurial marketing
    b. Formulated marketing
    c. Intreprenuerial marketing
    d. Effective marketing

26. Which of the following states of demand is characterized by consumers having a strong need or desire that is not presently satisfied by any existing product?
a. Negative demand.
b. No demand
c. Latent demand.
d. Irregular demand.

27. Which of the following term is used to describe a cluster of complementary products that are closely related in the minds of consumers but are spread across a diverse set of industries?
a. Metamarket
b. Metamediary
c. Marketplace
d. Marketspace

28. A consumer is hungry for a lavish meal and finds that they have the resources to afford such meal. Which of the following terms best describes this situation from the view of the marketer?
a. A need
b. A want
c. Demand
d. Ability

29. Which of the following is concerned with the measurement of advertising effectiveness?
a. DAGMAR
b. AIDAS
c. BCG Matrix
d. 7-S Framework

30. Marketers can increase the value of a customer offering by:
a. Raising benefits and reducing costs
b. Raising benefits by more than the raise in costs
c. Lowering benefits by less than the reduction in costs
d. All of the above can increase customer value

Part B: Caselets (50 points)

Each case carries 25 points.

Caselet 1

Air travel has always been viewed by Indian customers as a premium option. Till the 1990's, when Indian Airlines was the only player in the market, the prices used to be very high, on-time arrivals and departures were a rarity, and the connectivity between various cities was very low. However, with the opening up of the aviation industry for the private operators in the mid 1990's things have changed for the better. Connectivity has increased, prices have come down, and the service has improved considerably. At present, the trio, Indian Airlines, Jet Airways, and the recent entry Air Sahara are the key players in the domestic market. In order to attract customers and capture the market, airlines have improved customer service and offered competitive prices. They also slash their rates depending on the demand and their competitor's moves. However, air travel still remains a luxury that a majority of the Indians cannot afford. Apart from this, most of these airlines ply only between the metros and other big cities. Analysts feel that there is huge untapped potential in small towns due to the increased trade and travel between smaller towns and the big metros. They also believe that there is a large section of the Indian population which is willing to travel by air if the prices are lowered. A new entrant in the Indian aviation industry, Air Deccan took advantage of this lacuna in the aviation industry. It launched low cost air service for Indian consumers. It also set out to connect smaller towns which are largely untouched by the major airlines, and which have a high market potential.

Air Deccan's objective is to make air travel affordable by offering their services at nearly 50% of the airfares offered by present market players. Air Deccan wants to target the frequent business travelers who are interested in connectivity and airfare rather than in comforts and facilities. The airline also wants to target the premium train travelers i.e., those who travel in air conditioned coaches. The pricing is done in such a way that the airfares are substantially lower than those of the major airlines and slightly higher than the A/C class fares of railways.(See exhibit 1).

In order to offer such low airfares, the company took various steps to lower their operating costs. Major airlines provide services such as good reception to passengers while boarding the flight, air-hostesses and crew members assisting the passengers in occupying their seats, a welcome drink, full-course meals, upper class seats, business lounges, and in-flight audio-visual entertainment. In contrast, Air Deccan decided to operate with one air hostess per flight, which implies passengers have to assist themselves in occupying their allotted seats, and food and beverages have to be purchased by consumers if needed. Thus, by offering no-frills service, Air Deccan cut costs in terms of personnel and supplies.

Flight maintenance is a major cost incurred by any airline service. In order to cut costs on this front, Air Deccan has taken two small 48 seater ATR 320 aircrafts from Avions De Transport Regional (ATR) in Toulouse in France on contract. The contract includes the lease of the aircraft, training of pilots and engineers and 24 hours global maintenance support. By outsourcing maintenance, it eliminated variable costs that are associated with aircraft maintenance. The airline also plans to increase its fleet strength to seven planes within three months. Services are run using a point-to-point model instead of the hub and spoke model adopted by major airlines. In the hub and spoke model all passengers from 'spoke' airports arrive at one 'hub' airport and then depart for their destinations in another flight. The hub and spoke model requires coordination between various airlines. However, in the point-to-point model, the aircraft travels directly between two destinations without any changeovers in between. Thus the airline can make more trips and also increase its aircraft utilization. Currently, Air Deccan is flying 20 services using two aircrafts to eight cities.

Another area where the company has focused on cutting costs is staff costs. The company has planned to further cut costs by maintaining a lean staff structure. It plans to maintain the staff to aircraft ratio at 40:1.

On the distribution front, the airline is looking at alternatives beyond its own counters at airports and traditional travel agent networks. It has started e-ticketing services where the customers can book their tickets online and take the printout of the PNR number which can be used at the airport to get the ticket issued.

Apart from e-ticketing, the airline has tied up with various retail points where the customers can book their tickets. It has already signed up with Uday Home World a consumer electronic chain store in Bangalore. The airline is planning to increase its outlets to 400 with locations spread across all major southern cities where it has operations.

It has also set up call centers for booking and PNR inquiries. Customers can book their tickets by using the specified phone number and the ticket will be confirmed instantly if the customer pays through credit card. If the customer does not possess a valid credit card, he can be issued a temporary PNR. This is valid for a maximum period of 24 hours during which the customer has to purchase the ticket by paying through the Air Deccan Airport counters or at other outlets that are approved by Air Deccan.

The airline is also experimenting with innovative ways to improve its revenues. It is offering its aircraft exteriors for promotional purposes which is a first in India. Sun Microsystems has tied up with Air Deccan to use their flight exteriors for promoting its products.

On the advertising front, Air Deccan is using print and outdoor media. Air Deccan logo shows the back of two hands spread and held thumb to thumb in yellow and blue, signifying a flying bird with a tagline "Simplifly". The prelaunch ads were teasers aimed at generating curiosity by asking questions such as "Why should there be a class system in Air?" The post launch ads are aimed at highlighting the coverage and price differential of their services with other major airlines. Being the first low cost airline service in India, it got coverage from the media which helped it to create awareness about its services among consumers.

Air Deccan claims that the initial response to its services has been fairly good. It plans to add another service between Bangalore-Tirupati, so that the travellers can have their darshan and return on same day. Since there are no proper air-links in this high traffic route barring IA flights that ply on Thursdays and Saturdays, Air Deccan is expecting a good response to its service.

Exhibit1

Price Comparison between Air Deccan and Other Airlines

Sectors	Air Deccan	Other Airlines
Hyderabad-Bangalore	Rs. 2323	Rs.4905
Hyderabad-Vijayawada	Rs.1885	No flights
Bangalore-Chennai	Rs.1676	Rs.3400
Bangalore-Madurai	Rs.2459	No flights
Bangalore-Coimbatore	Rs.1624	Rs.2720
Bangalore-Belgaum	Rs.2876	No flights
Banaglore-Mangalore	Rs.1911	Rs.3110
Bangalore-Hubli	Rs.2328	No flights

Questions for Discussion:

1. Discuss the prospects of Air Deccan in the Indian aviation Industry.
2. It was felt that there is a large section of the Indian population which is willing to travel by air if the prices are lowered. Comment on the various marketing mix elements of Air Deccan that would appeal to the price sensitive segment?
3. Analyze the distribution strategy of Air Deccan.

Caselet 2

The imaging industry is changing rapidly with digital technology being widely adopted. Digital cameras are replacing traditional roll-based analog cameras. They are making inroads into both the consumer and professional segments of the Indian photography market. Digital cameras are even finding acceptance among segments such as professional photographers at tourist places. These photographers are major users of Polaroid cameras (used for instant photography). The average cost of developing a roll of 10 is Rs 300 and they price a photo in the range of Rs. 40-Rs. 50. Thus they make a profit of Rs. 15 on each photo. But the use of digital cameras brings their cost down to Rs.15 and so their profits increase. Not surprising then that these photographers are now replacing their Polaroid cameras with digital cameras. One tourist photographer comments, "Polaroid is out and analog is losing ground to digital cameras. In this trade, you either develop or die."

Globally, the digital camera market is growing at a rapid pace. Traditional photo companies Kodak and Fuji, who dominate the imaging market with a combined market share of 70%, are also slowly drifting towards the digital cameras. Mobile phone companies like Nokia are incorporating digital cameras into their mobile phones. IT companies, HP and Adobe are also making a foray into this market.

Global shipments of digital cameras were at 13.4 million units during the first half of 2003. In percentage terms, the year-on-year growth is 93%. Of these, 4.37 million units were sold in Europe, 3.82 million units in USA and 3.08 million units are sold in Japan. At the same time, the market for conventional film cameras has been shrinking. For the first time in the year 2002, sales of digital cameras overtook the sales of film-based cameras in the US. In 2002, 24.5 million digital cameras were sold as compared to 23.6 million units of film-based cameras.

The Indian photography industry is valued at Rs 4000 crore. The industry can be broken down into film roll, camera, photography chemicals, and studio segments. Commenting on what the growth of the digital camera market will mean to these segments, Alok Bharadwaj, director and general manager, Consumer Information and Imaging Division, Canon India, said "Each component will be affected by digital cameras." The analog or film-based cameras registered sales of 30 lakh units in 2002 and is growing annually at a rate of 12-15% whereas the figure for digital cameras is 30,000 units with a 55% growth rate.

The popularity of the digital cameras have been attributed to various factors. Digital cameras are easy to use and give instant results as users can see what they have photographed before taking prints. Another feature of digital cameras is the minimal recurring costs since there is no need to buy film rolls or spend money on developing the rolls. Image quality has also improved and the cameras available now provide satisfactory image quality for users. On the professional photography front, these cameras provide high-quality pictures at a low cost. Professional photographers need not depend on photo labs for their prints, and do not need to buy film rolls. Using the latest professional photo editing software, they can tinker with the images and change them according to their needs and take prints on their home or office printers. Thus, professional photographers can obtain high quality photos at low cost and also within a shorter period of time.

But the digital camera market is facing certain challenges and problems. Digital cameras are much costlier than the film-based cameras. Even the low end camera costs Rs. 10,000 as compared to Rs 1,000 for a traditional camera. On top of it with import duty as high as 57%, it is the gray market that dominates. Another major drawback of digital cameras is the lack of standards. Each manufacturer has developed his own standards and even the memory cards used to store the images have different standards. While Sony uses a Memory Stick, Kodak uses the Compaq flash card, and Cannon uses a flash card of different technology. This creates problems for the consumer in connecting his camera to any printer. Another drawback is the battery technology. The batteries available now do not provide much backup or power.

Though the digital cameras are being embraced by consumers, the lack of infrastructure necessary to support the digital photographers is hampering the growth of the market. The digital development, processing and enlargement services are still at a nascent stage. Barring a few metros, these services are not available widely in

India. Of the overall 100,000 photo studios in India, only 3,000 provide digital imaging services. And these services are costly compared to the film processing services. A professional photographer needs to have a personal computer (costing Rs 30,000 and above) to store and format the images and a photo quality printer to take the prints which may cost anything between Rs. 5,000 and 25,000.

The photo editing software that is required to manage the images also needs improvement. Thus a non-PC user will not invest in a digital camera unless there is an adequate photo processing infrastructure to depend upon for his imaging needs. Globally, the much hyped online photo servicing services such as consumers sending the images to the photo finisher's website and receiving the prints at his doorstep has not clicked and the services provided are slower than those at the retail photo processing services. In India, such services have not yet started.

Analysts claim that professional photographers will be the first to adopt these cameras in a major way as they provide higher cost savings (as high as 40-45%). These high profits will enable them to recover their investment faster. Analysts point out that sales will pick up when prices stabilize, technology improves in terms of common standards, higher resolution cameras and good battery technologies come into existence.

Questions for Discussion:

1. Identify the Product Life Cycle stage that the digital camera is in. What kind of marketing strategies do digital camera manufacturers need to adopt?
2. What kind of marketing-mix needs to be adopted by film-based camera manufacturers to help the market grow?

Part C: Applied Theory (20 points)

All questions carry equal points.

1. Describe key demographic trends that are emerging in India. How can these trends influence the marketers?
2. Marketers use slogans, celebrities, and brand images, to convince customers that their product will assist in maintaining their actual self-concept, gaining their ideal self-concept, enhancing their private self-concept, or creating an acceptable social self-concept. What is a self-concept? How can knowledge about the self-concept of their target customers help marketers?
3. A life insurance company set up a stall at the exit of a popular mall in Hyderabad. The banner displayed at the stall read "Drop in your business card and win a free insurance cover for your family." The company collected thousands of business cards in a span of 3 days. How would these cards be used by the company?
4. Many manufacturers complain that the organized players in the retail industry force them to spend more on trade promotion than on end-consumer promotion. Why do manufacturers spend money on trade promotion? List some factors that increase the bargaining power of big organized retailers like Giant, Lifestyle, Shopper's Stop and FoodWorld while negotiating trade allowances with the manufacturers.

Model Question Paper I

Suggested Answers

Part A: Basic Concepts

1. d	2. d	3. a	4. b	5. b	6. d	7. c	8. d	9. b	10. b
11. a	12. c	13. b	14. d	15. a	16. a	17. c	18. d	19. b	20. a
21. b	22. a	23. b	24. d	25. d	26. b	27. b	28. b	29. d	30. d

Part B: Caselets (Suggested Answers)

Caselet 1

1. Philip Morris decided to enter the Indian market on its own without the help of its local partner Godfrey Philips India. Many analysts considered this a smart move, as it circumvented regulatory hurdles. The company has opened its branch office that allows import of goods and distribution through non-exclusive distributors.

The key environmental factors that influenced Philip Morris' entry into the Indian market through the import route are -

The Regulatory Environment: The government strictly regulates the entry of foreign companies into India. This is even more stringent for products like cigarettes. According to government rules, the company has to take two key approvals - one from the FIPB and the other from its local partner.

From the past experiences of other foreign cigarette companies with the FIPB, the company realized that the FIPB is not in favor of foreign cigarette companies entering the Indian market.

Philip Morris has a local partner Godfrey Phillips in which it has a 35.9% stake. However, the company saw that the experience of other foreign companies on this front was also not positive. Local partners of foreign companies resisted the entry of the foreign tobacco companies. For example, ITC (partner of BAT) resisted BAT's direct entry into the Indian market.

The Competitive Environment: The competitive environment also influenced Philip Morris' entry into the Indian market. Indian companies had lobbied heavily when Philip Morris tried to set up a wholly owned subsidiary earlier in 1997. They succeeded in convincing the government to stall Philip Morris' manufacturing activities. Currently they are still trying to stall the entry of Philip Morris. They are pressurizing the government to increase the import duty from 30% to 150%. They have declared illegal the move by Philip Morris to establish a branch office and carry on import of goods. They want the government to shift cigarettes from the OGL list to the restricted list which enables the government to impose higher duties. In all, they want the government to provide a level playing field for them against the foreign companies. This can be reflected from the comment made by one tobacco executive, "After all, the government policy is to discourage cigarette smoking and various restrictions have been put on domestic companies. So how can you penalize us and encourage foreign brands? We want a level playing field."

The Socio-political Environment: Since tobacco has health and social implications, anti-smoking groups and politicians may put hurdles for the company. With the increased global backlash against the tobacco companies, Indian anti-smoking groups and NGO's may put pressure on the government to stop the entry of Philip Morris. As this is a public issue politicians may raise objections, which may force the government to stall the entry.

Philip Morris selected the import route as all the above environmental factors were against its prospects of getting clearance for a direct entry into India. The company must also have chosen to feel the pulse of the Indian consumer by offering its product through the import route. Depending on the results of its limited marketing efforts it can lobby with the Indian government to gain direct entry into the Indian market.

Philip Morris develops its brands abroad under close supervision. It does not have a controlling stake in Godfrey Philips India. Therefore, if it distributes the products through Godfrey Philips India, the company might not be in a position to micro manage the marketing activities to its liking. Hence a non-exclusive distribution agreement with local players like Barakat Foods, would give Philip Morris tight control over how the product would be marketed in the initial stages of its entry into Indian market.

2. Smoking is habitual and consumers do not usually switch to other brands. In such a context Philip Morris may face difficulties in convincing consumers to switch to their brand. However, Philip Morris' global brands can help the company penetrate the Indian market. As Marlboro has global recognition, the company may not face difficulty in promoting the product. Also, the product is targeted at higher income group customers and these customers are more influenced by brand and brand image. Since Marlboro is promoted as a lifestyle product, consumers might show an interest in it. Moreover, Indian consumers are already familiar with the product as it is widely available through the gray market.

Caselet 2

1. The facts released by CSE met with an outright denial from the cola giants. Both the companies denied the reports that their products were laced with pesticides without giving proper explanations. They even went on record by questioning the veracity of the report released by an organization like CSE.

The response of the multinationals to CSE's report was viewed by the public and the media as an emotional reaction. Instead of indulging in a war of words with CSE, these companies should have immediately revealed their side of the story supported by facts. They should have used all the communication channels at their disposal to connect with the customers and reveal the truth. In this case, the companies denied the allegations by releasing news paper advertisements and maintained silence after that. They tried to down play the issue by not addressing it directly. In doing so, they failed to realize that in times of crisis silence can prove to be very harmful. Since these companies carried on with their advertisements as usual without addressing the crisis, customers felt that they were intentionally down playing the issue to hide certain facts.

Initially the spokesmen of the cola majors claimed that they followed the same product standards throughout the world and hence their products complied with EU standards. However, a later statement by the health minister revealed that although the soft drinks were found to conform to the Prevention of Food Adulteration (PFA) rules, nine brands had pesticide contents above the limits prescribed by the European Union (EU) standards. This was contradictory to the statements released by Coke and Pepsi.

Thus by not revealing the truth immediately after the crisis broke out, the Cola giants let the consumers trust in their brands deteriorate even further. This mistrust reflected in the form of a sharp decline in sales.

2. During a crisis, companies should open up all the communication channels available to them. They should remember that although customers are shocked by the news in the initial hours of the crisis, they would be still willing to listen to the other side of the story. Therefore, instead of maintaining silence as the cola giants did, the companies in the firing line should try to explain the truth immediately and apologize in case they are wrong. This should be accompanied by genuine measures to compensate the customers. The companies should also dig deep to identify the root cause of the problem and take preventive measures to check the recurrence of such events.

Companies should nurture transparency in their operations. In times of crisis, a well planned marketing communication can do miracles to salvage the reputation of the company. When bad news about the company spreads, stakeholders will not be in a mood to trust the advertisements released by the company. In such situations, companies should activate their public relations (PR) mechanism to communicate with the stakeholder. PR plays a major role in handling the media opinion in times of crisis. Moreover, the PR exercise should be in full swing immediately after the crisis breaks out. If the company adopts a wait and watch approach, it would later become very difficult to silence the media and connect with the customers. The companies can communicate with the stakeholders through informative advertisements, public relations, and sales force.

Advertising: Advertising using themes woven around celebrities may be effective in increasing the sales of a company. But continuing with theme based commercials without addressing the controversy in times of crisis may be counterproductive. It would be prudent to stop theme based ads and air advertisements clarifying their side of the story. If possible an assuring message can be given by a credible source (person or an organization).

In this case, the cola players tried to down play the controversy by continuing with their theme based ads. By doing so they actually made the customers believe that there was something wrong with the products. Coke and Pepsi may have thought that the controversy will die in time and advertisements addressing the controversy may in fact keep it fresh in the consumer's mind. Although, initially this tactic may seem effective with the Indian consumers who have become indifferent to scams and controversies, silence may eventually leave doubts in their subconscious minds and the backlash in future may be more violent.

Public Relations: As mentioned earlier, a balanced PR exercise would be required to get the media's help in communicating with the stakeholders. Companies should hold a press conference immediately after the bad news breaks out and a responsible top official should address the press to explain their stand. The management at this stage should reveal all the information they have relating to the controversy. In this case, when the CSE released the report the response should have come from a single source. There should be consistency in the various statements given by the company in times of crisis; this would add credibility to their side of the story. Every employee in the organization should be addressed by the top officials and the organization as a whole should take up PR activity to regain lost trust.

Part C: Applied Theory (Answers)

Answer 1

The marketing concept involves achievement of organizational goals by creating and delivering products/services and communicating the value of the product/service to target customers more effectively than one's competitors.

This concept has four key elements—target market, customer needs, integrated marketing and profitability.

Target market: A company can make profits if it identifies the customer segment whose needs it can serve most effectively. After narrowing down its market segment, the company can formulate a marketing strategy for its target customers.

Customer needs: Identifying the needs of customers is another aspect of the marketing concept. After understanding customer needs the company can develop products to meet those needs. This will enable the company to retain its existing customers and secure new customers.

Integrated marketing: Integrated marketing refers to the process of making various departments of an organization customer centric. Integrated marketing can be achieved in two ways: By coordination of various marketing functions like sales, advertising, product development, market research and by the integration of various departments in the organization so that finance, marketing, production can work in tandem to fulfill the needs of customers.

Profitability: The primary aim of any company is to achieve profits and to this end it seeks to effectively satisfy customer needs.

Till 1991 Aston Pistons operated in a protectionist environment where it had few competitors. This made its management complacent. However, liberalization of the economy in 1991 gave customers a wider range of choice. To obtain the market share, competitors offered their products at lower rates. Consequently, Aston Pistons lost a large number of customers. To stem the decline in sales the company needs to embrace the marketing concept. By identifying the target segments it can focus its marketing efforts more effectively on those segments. It can create and deliver goods as per needs of the customers. By offering greater value for its goods Aston can regain its market share.

Answer 2

A company evaluates mainly the cost and the demand for the product before setting up the price. However there are various other factors that need to be looked into while setting up the price. The following are some of the factors that are considered while deciding the price.

Demand: First and foremost variable that a company considers is the demand for the product. Usually the price is inversely proportional to the demand. If the price is lower then the demand will be high and if the price is high then the demand will be less. The demand is in turn influenced by factors such as pricing of substitute products and their availability, consumer spending capability, product durability and other features of the product. Thus companies need to determine the price based on the demand and other factors that influence the demand. In this case as the product is a high-end model, demand for the product may be limited and hence the price should be kept high in order to gain larger margins on smaller volumes.

Cost: The next factor that a company should evaluate is the cost of production and marketing of the product. The cost will be the basis for a company to set the price. If the company sets the price much higher than the cost then the sales may decline and if the company sets the price very low, then its revenues may decrease and it may even have to bear a loss. Thus the company needs to set the price so that the costs are recovered and provide good margins. In the case of Vision Tech the cost of production for high-end products is high hence the company should set the price that covers these costs and provides good returns.

Product life cycle: The company should also consider the stage of the product in the product life cycle. If the product is at the introductory stage then the company can set higher prices, which can be reduced as the product moves into maturity and decline stage.

Competition: Competition is another major factor that a firm has to look into. The company can set higher prices than the market rates, if the competition is negligible. If the firm is operating in a highly competitive market then the company has to determine whether the price should be lower than the market level or at the market level. As the consumer electronics market is highly competitive it is advisable for the company to set prices lower than the market level.

Distribution strategy: The distribution network for the company should also be considered while setting the price. In order to capture a larger share of the market, the company has to provide larger trade margins for the channel partners that may encourage them to push the product into the market. As the television model is a high end product the consumers may prefer to purchase the product at an outlet that is convenient and has the right ambience. Thus the company may have to pay even more to the traders to sell the products through such outlets.

Consumer perception: Consumer perception towards the price also influences the pricing decision. Consumers view the price as reflection on the quality of the product. They consider the product to be of high quality if a higher price is fixed and of low quality if a lower price is fixed. Such pricing strategy is also known as prestige pricing strategy. As Vision Tech is launching a high end product, the company has to fix a higher price to make the customer perceive that the product is of high quality.

Answer 3

Since deciding how much to spend on promotion is a highly subjective matter, determining the promotional budget is one of the toughest jobs for any marketer. There are four methods widely used in determining ad budgets.

Affordable method: In this method companies try to fix the budget based on their spending power. Usually small and medium enterprises adopt this method as they have less financial resources.

The drawback of this method is that it does not consider the effects of promotion on sales. Firms using this method consider advertising as a short-term tool rather than a long-term measure.

Percentage-of-sales method: In this method companies try to set the ad budget as a percentage of sales made during the current period or based on forecasted sales. Companies vary the ad budget depending on the sales performance. This encourages the companies to establish a relationship between ad spending, sales price and profit per unit.

However, this method has some drawbacks. When sales are declining ad spending will also reduce, which will not help in arresting the decline in sales. This method also has varied budgets. Long-term promotion planning is not possible with this method as it has varied budgets.

Competitive parity method: This method is based on the premise that the competitors' ad spending reflects the average industry spending on advertisements. Companies fix their ad budgets based on the information they gather on the competitors' promotion spending from trade magazines, trade associations, and other sources.

However, the competitors' ad spending may not be a right benchmark as their ad spends may depend on various factors specific to their needs and objectives. For example, a competitor may not allocate a huge ad budget for promotion of DVD players, which may be in its product mix just to improve the consistency. If this is taken as a benchmark, J. K Electronics may not be able to make DVD players its flag ship product.

Objective-and-task method: In this method, ad spending is based on the objectives the company wants to achieve from promotion. The company has to decide upon issues like what are its promotion objectives, what activities have to be undertaken to achieve those objectives and what costs are involved in performing those activities. Thus, this method provides a framework for deciding the promotion budget. This makes the company determine the relationship between ad spending and promotion results. However, this is a difficult method as identifying the tasks and ascertaining the costs associated with those tasks is difficult.

J. K. Electronics can use competitive parity method and the objective and task method to determine the promotion budget for the new products. Since the company is a new entrant into the DVD/VCD market, the competitive-parity method gives an idea of how much competitors are spending. The objective-and-task method enables the company to determine the budget that would help it achieve its long-term objectives. Since J. K. Electronics has ventured into the DVD/VCD market to boost its revenues, it should promote them heavily to increase sales volumes and capture the maximum possible market share. Since DVD players are relatively new to the Indian market, the company should allocate a higher budget to tap the potential.

Answer 4

There are two test-marketing techniques that SuperMart could use to test its brand - Controlled test marketing and simulated test marketing.

Controlled test marketing: The firm decides upon the geographical areas and outlets within those areas where the product will be tested. After determining this, the firm places the product/s at select outlets in a controlled environment, and the response of the customer is analyzed. The decisions relating to the shelf location, the nature of display, the amount of shelf space to be allocated, the point of purchase promotions and the price are taken by the firm. This could be changed periodically based on the impact of these factors on the demand for the product. Depending on the response, SuperMart can make appropriate changes to the package and the price.

Controlled test marketing is cost effective and can be completed in a short span of time. However, as the product is visible in stores, competitors may come to know about the new product before its actual commercial launch.

Simulated test marketing: Simulated test marketing refers to the test marketing of products using a simulated store environment. It is also referred to as laboratory test marketing technique. The company selects a sample of customers and they are exposed to advertisements and promotions, including those of competing products, related to a particular product. Later these customers are given a shopping voucher to shop at a stimulated store or a real store. Analysts examine the customers' behavior and preference towards the company's brand against the competing brands. Customers are interviewed after they select a brand. They are asked the reasons for the selection of a particular brand over others. Then customers are allowed to take home the brand they selected and use it. After a few weeks the company follows up with the customers. They are asked questions on whether they liked the product and if they would purchase it, etc. Data so collected is fed into market research systems to analyze the results obtained.

Simulated test marketing requires less investment than controlled and standard test marketing and takes less time to complete. As the exercise is done in a simulated environment, competitors cannot gather information about the new product.

Model Question Paper II

Suggested Answers

Part A: Basic Concepts

1. d	2. d	3. d	4. b	5. a	6. a	7. d	8. b	9. c	10. a
11. b	12. a	13. b	14. d	15. a	16. b	17. c	18. a	19. b	20. a
21. b	22. d	23. d	24. a	25. a	26. a	27. d	28. d	29. a	30. b

Part B: Caselets (Suggested Answers)

Caselet 1

1. There are various factors that forced Bajaj Auto to take up new product development.

Bajaj was the undisputed leader in the Indian two wheeler market till mid 1990's. It depended on the single product line of Bajaj Chetak scooters for its growth. Since mid 1990's the two wheeler market started tilting more towards motor cycles (Refer Exhibit 1). The company realized this quite late. As a result companies like Hero Honda and TVS motors took advantage of the situation and established their presence in the motor cycle segment. By 2001 Bajaj Auto was displaced by Hero Honda as the largest two wheeler company in India. Barring Pulsar, Bajaj Auto does not yet have a block buster product like Chetak that can provide sustained revenues and market share in the motor cycle segment. As a result the company had to face a perilous situation of reduced profits and market share. This made the company think of developing a new product that can make it improve profits and market share.

Another reason for taking up the new product development is to fill the gap in its product line. The company has been fairly successful in the power bike segment with its highly successful Pulsar and Eliminator models. In the entry level segment Boxer was the largest selling bike. But more volumes and profits come from the mid-segment bike category where Victor from TVS and the largest selling bike in the world, Splendor of Hero Honda, are dominating. The profits are high in this segment. The company tried to enter the segment through its Caliber model but met with limited success. This prompted Bajaj Auto to develop a new mid-segment bike with much greater value proposition to capture a larger part of this segment.

The company also wants to displace Hero Honda from the number one position in the motor cycle market. Hero Honda's success was mainly attributed to its flagship mid-segment bike Splendor. Nearly 70% of the profits of Hero Honda were contributed by Splendor and similar variant Passion. Therefore, Bajaj plans to challenge Hero Honda by attacking Splendor through launching a new mid-segment motor cycle.

2. Bajaj Auto planned to develop a product for the mid-segment motor cycle market as this segment contributes nearly half of the volumes of the overall motor cycle sales. This segment also provides higher margins. Bajaj Auto was also desperate to challenge the supremacy of its rival (Hero Honda) in the motor cycle market. Rajiv

Bajaj came up with a new product idea that meets the needs of the firm and the market. He felt that a superior value proposition can be provided to customers by developing a fuel efficient high powered bike priced at the cost of the mid-segment bike. Thus the company planned to develop a bike keeping three aspects in mind. The styling and power (of the premium bikes), fuel efficiency (like Boxer) and the pricing (in the range of mid-segment bikes).

A dedicated R&D team headed by Joseph Abraham worked on this project. The team started conceptualizing the model. The preliminary design was done by Ravi Darad and was fine tuned by an internationally known motor cycle stylist Glynn Kerr. He was brought in to help the team translate the concept into a workable model. The company developed DTSi engine technology that provides the desired power as well as fuel efficiency.

Then the team developed nearly 30 prototypes for testing purposes. They were sent to 35,000 km endurance test on the 3km testing track at Chakan. Bajaj Auto decided that the cost of the bike should be around the existing mid-segment bikes and the operating margins need to be around 10%. For this it partnered with the best vendors and used the customer inputs. The product was developed and sent to select customers across the country for test marketing. After obtaining customer feed back and making necessary incorporations the company wants to go for commercialization in April 2004.

3. Bajaj Auto has adopted target costing method to determine the price of the new bike. In this method market research is conducted to determine the competitive price at which a product can be sold. The percentage of profit margin that the company expects is also determined. Based on the analysis the final price that can appeal to the customers, is determined. Bajaj Auto's findings are that the mid-segment is providing good margins. And there are enough customers in that segment who are willing to purchase the vehicle at that price if a good value proposition is provided. Thus the company has arrived at a final price of Rs 40,000 that can provide 10% operating margins. Target costing is the right approach in determining the price of a new product. Target costing has many advantages.

- Target costing enables Bajaj Auto to match the product with the customer needs.
- It increases the teamwork as all the departments in the firm are focused on achieving and producing the product within the price range.
- Target costing also helps the firm to control costs.

In this case Bajaj Auto was developing the new product to challenge the existing competitors' models like TVS Victor, Hero Honda Splendor, etc. The product would be successful only when it delivered better performance at a similar price; hence target pricing was more suitable for Bajaj's competitive strategy.

Caselet 2

1. The salt market in India can be broadly classified into the branded and unbranded sectors. Till the early-1980s, most Indian households used either local brands or unprocessed/unrefined salt that was sold loose (not packaged). The product was regarded as a commodity and the extent of user involvement in its purchase was extremely low. As a result, no national-level corporate ventured into the segment. The Tatas were the first to enter the branded salt market in the early 1980s and they positioned their product as being free from impurities. As there were no competitors in that segment, the Tatas quickly gained a large market share. Later DCW Home Products forayed into the branded salt market with its "Captain Cook" brand, positioning it as a "free flowing" salt. Sensing the market potential, FMCG major, HLL, launched the "Annapurna" brand of salts which gave a tough fight to the Tatas by emphasizing the iodine content in its salt. In the late 1990s, salt began losing its 'commodity' status in the country – at least in urban India. Industry watchers noted that the market was following the global trend of commodities becoming brands as markets for 'traditional' brands reached saturation levels. The activity in the branded salt segment increased with the launch of salt products by as many as five national players during the late 1990's. In 1998, Dabur India and Marico Industries launched the Nutrasalt and Saffola brand salts respectively. They positioned them as a premium salt products and priced them higher than the existing salt brands. In 2000, Nirma launched its brand of salt, Nirma Sudh, claiming its product was pure due to the absence of human intervention in the manufacturing process. In 2001, the Kunvar Ajay Group of Industries (KAG) launched the "Dandi" brand of salt claiming that their product was "triple refined". In the same year, Cargill India entered the branded salt market by launching the "Naturefresh" brand of salt. Even though the number of players in the organized salt segment has increased, nearly 70% of the salt market still remains unorganized.

2. Salt is considered a commodity product in the buying of which the consumers show little involvement. Usually consumers do not put in much efforts in searching for gathering information, and evaluating products that are of low cost and are purchased frequently. Consumers buy a particular brand of salt due to habitual buying behavior, not because of strong brand loyalty. Companies marketing branded salt adopted various techniques to change the commodity image of the product by differentiating it from the others on different parameters. Heavy promotional activities of these players succeeded in changing consumers' attitude towards the product. They started evaluating the salt brands based on their evoked need for free flow, purity and health.

The companies tried to market their products based on some unique selling proposition (USP). Tata Salt positioned its salt during the introductory stage on the USP of "salt free from impurities". Captain Cook used the "free flowing" attribute as its USP. HLL positioned its "Annapurna" brand of salt on the health platform.

The companies also try to promote their products using ads or taglines that could arouse consumer emotions or by relating the advertisements to the personal values of the consumers. Tatas repositioned their product in 2001 by creating a new advertisement campaign that added a patriotic angle to the purity issue. The new advertisements released in August 2002, featured ordinary people performing their duties with integrity and commitment and saying 'Maine desh ka namak khaya hai.'

Another technique that companies try while marketing products of low involvement, is to include some additional benefits or features in the product. Cargill India launched "Naturefresh" salt as a salt enriched with calcium and magnesium along with iodine. The company also claimed that its brand of salt was the most granular salt available in the market and was processed to remain free-flowing under all weather conditions. Marico Industries marketed its salt product as mineral enriched low sodium salt.

Thus a spate of brand building initiatives taken up by organized players over the last decade has successfully changed common salt from a commodity into a branded product for which there was a market of Rs. 500 crore in 2002.

3. KAG, which launched Dandi salt, realized that salt being a commodity product, the consumer would see various brands as substitutes and so buy the brand that scored high on awareness. Once the consumer selected a particular brand, he could stick to it out of sheer habit. High brand awareness could be achieved by effectively using price and promotions. Thus KAG came to a conclusion that by frequently promoting the product, the consumer could be exposed to the brand more effectively. KAG chose the electronic media (television) because of its reach and effectiveness in making consumers passive learners about the brand. Thus through frequent and heavy advertising, KAG made Dandi a brand familiar to the consumer. This in turn, played a major role in influencing consumer brand preference.

Part C: Applied Theory (Answers)

Answer 1

A retailer can use the Gaps Model given by Valerie Zenthaml for improving the quality of service. The model gives insights into the various obstacles that may hinder a retailer's ability to close or otherwise minimize the gap between the customers' expectations and the perceived service. Some of the Gaps are

Gap 1: Knowledge gap (Lack of knowledge regarding customer expectations)

Gap 2: Standard gap (Lack of appropriate service standards or the standard gap)

Gap 3: Delivery gap (Failure to deliver the promised service standards)

Gap 4: Communications gap (Failure to deliver the performance as per the promises made)

Gap 5: Service Gap (The sum of all the above gaps)

There are many factors that influence the customers' expectations. They include advertising and sales promotions, personal needs, word-of-mouth publicity and competitive offerings. The success of a retailer in developing superior services lies in understanding the wants and needs of customers and how customers evaluate the products and services received. A retailer can reduce the gaps as follows.

Reducing Gap 1: A marketer should have complete knowledge of customer expectations. Acquiring this knowledge can be as simple as interacting with customers on a regular basis or it can be as complex as conducting thorough research on customers (including focus group studies, satisfaction surveys and brainstorming sessions). Some retailers develop programs for analyzing the service expectations and perceptions of their customers. These programs usually involve getting questionnaires filled up by customers visiting the store and then analyzing them. Retailing major JC Penney conducts these kind of studies annually as a part of its regular quality improvement process. Some marketers survey customers immediately after closing the transaction. This type of survey helps the retailer get up-to-date information about the service expectations and perceptions of customers. Such surveys make the customer notice the marketer's concern for providing better service. The survey's ability to collect feedback related to a specific encounter helps managers reward employees delivering good service and improve those who deliver average or poor service. In some stores, managers interact with a panel of selected customers who share their experiences at the store while shopping and give suggestions for improving the service. Complaints form another important source of information about the quality of service at a retail outlet. Through complaints, marketers/manufacturers can interact with customers and can get detailed information about their quality of service and merchandise. Sales personnel and other staff members, who interact with customers on a regular basis usually, know a lot about the service expectations and perceptions of customers. This information can be accessed only if there is an open channel of communication across the organization.

Reducing Gap 2: Apart from understanding customer needs, marketers should also set some service standards. Clearly defined service quality standards help employees understand how the company and its customers define a quality job. In order to close the standards gap, marketers should focus on providing high service quality; providing innovative solutions to various service related issues; defining and describing the role of people delivering the service; establishing service objectives; and measuring the performance of the service.

The commitment of the top management is necessary to attain high levels of service quality. The top management should be prepared to deal with any temporary problems and costs that arise when improving service quality. Management's concern for service quality should be clearly demonstrated to the service providers. Though the top management develops the quality standards, it is the marketing managers who meet and maintain these standards. Marketing managers should ensure that service providers' attempts to deliver superior service are recognized and rewarded. Rewarding service providers on the basis of the quality of service they provide can encourage the sales personnel to make service their key personal goal. Generally, marketers do not set high service standards, as they perceive them to be too expensive for them or too difficult for current employees to achieve. Such a perception shows the lack of a positive approach to an issue.

Marketers can improve customer service by exploring new ways of dealing with various service issues. Technology can help marketers simplify and improve the quality of customer service. Marketers can implement an automated system to handle routine tasks so that the employees are free to deal with the more demanding queries and problems of customers. Though managers can ask service providers to deliver superior service, the service providers cannot do so until a clear definition of superior service is established. In order to deliver excellent service, marketers should establish goals that guide employees. These service goals should be developed on the basis of the needs and expectations of customers. Employees are motivated to accomplish service goals when the goals are specific and measurable, and when employees are involved in goal setting. The quality of the service should be evaluated on a regular basis to ensure the achievability of the service goals. Most marketers use timely customer surveys to measure the quality of the service.

Reducing Gap 3: In order to minimize or close the delivery gap and deliver services that exceed the set standards, retailers should provide employees with the necessary knowledge and skills, material and emotional support, and empower them to act in the best interests of customers and the organization as a whole. The interpersonal skills of service providers should be improved and they should be trained in various customer-handling techniques. The employees should be provided with the appropriate systems and equipment for delivering efficient service. Service providers should also receive sufficient emotional support from their supervisors and co-workers. Providing service providers with guidelines and policy of service with a clear description of the rationale behind them can minimize potential conflicts in the organization. The quality of service can be improved by empowering the staff at the operational level of the organization to take important decisions. It has also been found that the quality of service improves significantly when incentives are based on the quality of service delivered.

Reducing Gap 4: Marketers generally raise the expectations of their target customers through advertising and other forms of communication. If any of their communication channels raise customer expectations to unrealistic levels, the actual experience may disappoint customers. Marketers can minimize the communication gap by making realistic commitments and managing customer expectations.

There should be a clear line of communication between the marketing department and the operations department since the marketing department develops the advertisements while the operations department delivers the services. Any miscommunication between these two departments would lead to a mismatch between the promises made through the advertisements and the services actually delivered.

Thus, to provide excellent service quality, marketers should pay attention to minute details, measure the perceptions and expectations of customers, and develop systems for addressing customer service. The management along with the service providers must clearly establish service goals and obtain the necessary resources for delivering the promised services.

Answer 2

Participants who are involved in the business buying decision process play one of the following seven roles:

Initiators: These personnel initiate the buying process by requesting for the product. They are, generally, the users who have felt the need for the product.

Users: These personnel are the actual users of the product.

Influencers: These people are key participants in product purchase decisions. They determine the specifications of the product and gather information regarding various options. They are, generally, technical personnel who have knowledge about the products.

Deciders: The deciders are people who determine product specifications and/or criteria to select the suppliers.

Approvers: Approvers are the people who actually approve the purchase order. They are usually high level officials who have the authority to approve the orders.

Buyers: Buyers select the supplier and negotiate the terms and conditions of purchase. They also select the quality product at a negotiated optimal price from the suppliers. Though they may not have any influence on the specifications of the product,, they have the authority to choose the product.

Gatekeepers: These personnel act as entry points for sellers to reach buying decision participants. They may include purchasing agents, process executives, receptionists etc.

Thus, it is imperative for business marketers to understand the business buying decision making process and the participants involved. It is also necessary to identify the evaluation criteria which a business client uses and the key participants in the decision making process. Companies, which sell heavy equipment or set up manufacturing units, have to convince more number of participants in the business buying organization as the complexity and the investment is more in large orders. Since routine items like stationary have standardized specifications, the company selects the supplier who quotes the lowest price for the product. Buyers are the key participants in such purchases as they have the formal authority to select the supplier. Thus, J.H Enterprises should offer the products at a competitive price and can approach buyers and influencers for selling their products.

Answer 3

Promotional pricing is used by companies when they launch a new product or to revive the sagging sales of the company. Microsoft made this offer to Windows 98 and Windows 98 Second Edition users so as to encourage them to shift to their new offering Windows Me. By this the company wanted to improve the short-term sales of its new product. There are various promotional pricing techniques that are widely used in the industry.

Special-event pricing: Companies offer products at special prices during events like the Cricket World Cup and festivals like Christmas.

Low-interest financing: Companies offer products on credit at interest rates that are lower than market rates. Such pricing is usually adopted by automobile companies and consumer durable companies. The examples include reduction of the interest rate by 2% or even zero interest rates and exemption of processing fees.

Longer payment terms: Companies also make promotional offers like extending the loan term for a longer period. This lowers the EMI (Equated Monthly Installment) for customers.

Warranties and after sales service deals: Companies offer extended warranties and after sales service contracts either free or for a special price.

Answer 4

Motivated sales force is a key factor for any company to succeed in the marketplace. The sales force is the face of the company and acts as a link between the customer and the company. So companies should do everything necessary to keep motivational levels high among the salespeople. But salespeople who are stationed away from the head quarters, (i.e., the field sales force) have different needs and problems as compared to other marketing executives. So, as Preetam Singh says traditional motivational tools may not prove powerful enough for field salespeople. They work alone, often away from home, and so are deprived of the emotional support of family members. Their working schedule is usually unsystematic and irregular and this could lead to frustration. If they come across salespeople of the competing companies who make a stronger sales pitch, it could make them feel inferior. Field salespeople do not have their superiors close by to give them advice, guidance or orders. Because of the lack of proper guidance, they could lose large orders which they had been pitching hard to get. Field salespeople also have difficulty dealing with personal problems such as family members suffering from illness, marital problems, and financial problems, which they could have solved if they were with their family. As they often stay in far-off places where facilities are not up to the mark, they could feel dejected.

Managers, therefore need to consider these problems and devise appropriate motivational tools for them. They could have frequent meetings with the salespeople at which problems are discussed and suggestions made, to get field salespeople to feel more confident. Periodic training programs that also include stress management modules could be arranged to update their skills so that they can take on competition more effectively. The field salespeople could be given some breaks to spend time with their family members. Managers need to make proper arrangements at the places where the field salespeople work, so that they feel comfortable. They should be given better sales related incentives to compensate for the hardships that they face.

Model Question Paper III

Suggested Answers

Part A: Basic Concepts

1. c	2. b	3. c	4. c	5. c	6. d	7. a	8. b	9. d	10. d
11. b	12. a	13. d	14. d	15. c	16. d	17. c	18. d	19. a	20. d
21. c	22. b	23. c	24. b	25. b	26. c	27. a	28. c	29. a	30. d

Part B: Caselets (Suggested Answers)

Caselet 1

1. The prospects of Air Deccan can be better chalked out by analyzing its business environment using a SWOT model.

External Environment Analysis

Opportunities

- Opportunity to cover smaller towns where there is an absence of major airlines.
- Opportunity to tap the large segment of price sensitive customers.

Threats

- Major airlines can match the prices and coverage
- Since the market is new it can attract new players thus increasing competition and in turn putting pressure on margins and revenue of the company.
- Increase in fuel, personnel and other costs can alter the cost benefit equation of the company
- Poor infrastructure facilities in smaller towns

Internal Environment Analysis

Strengths

- Low or negligible fixed costs due to taking smaller aircraft on lease.
- Lean workforce
- Good value proposition to communicate to the customers
- High utilization of aircraft capacity

Weaknesses

- Lack of financial strength to match the growing requirements
- Lack of brand equity as it is new to the business
- Requires larger volumes to break even which can be difficult in an Indian environment
- Service does not appeal to executive class travelers who are the frequent users of air travel and provide higher margins.

The prospects for Air Deccan are bright in the short run, since this business model had worked well in case of Easy Jet, Ryan Air (Europe) and Jet Blue (USA). This model would be successful as long as the company can keep its costs low and generate volumes by adding more destinations which are not serviced by the big players. However, in the long run, its success may encourage existing and new players to offer similar no-frill services. This would eat into the market share of Air Deccan.

2. The marketing mix involves the product /service, price, place, and distribution. These marketing mix elements of Air Deccan are analyzed below.

Product: The airline is offering a no-frills, low cost air service to its customers. Another unique selling proposition (USP) is that the services are offered in small towns which are largely untouched by major airlines. Many customers in the small towns would get an opportunity to travel by air as it would be the first player to operate from their town or the first to fly them directly to some remote town. Thus this service which offers connectivity to small towns would appeal to a certain segment of the customers.

Price: The airline is adopting market penetration pricing strategy by keeping the prices much lower than those of the major airlines. This price element would add to the appeal of Air Deccan. By pricing its services way below its competitors it can broaden its customer base and at the same time gain profits from increased volumes.

Place: The airline has used innovative distribution channels to sell its services. Apart from conventional channels such as travel agent networks and its own counters at the airports, it is distributing tickets through retail outlets, call centres, and the Internet. Such a strategy is aimed at cutting costs, and also making its services easily available to customers.

Promotion: The airline used cheaper media such as print media and hoardings. Its tag line "Simplifly" connected well with its no-frills low cost service. During the pre-launch, the airline released teaser ads to generate curiosity about its service. Post launch, the price differential of its services with other major airlines and the coverage of places that were untouched by major airlines formed the main theme of the promotional campaigns.

3. Apart from its own counters at airports and its travel agent network, Air Deccan has used other modes of distribution. It distributed tickets using online booking services, retail outlets and its own call centers. There are two key reasons why Air Deccan set up multiple distribution channels. One reason was because it wanted to get closer to the customers. Since travel agents may not be present in small towns, the airline is offering its service to customers in these towns through retail outlets. By distributing tickets online, the airline can reduce distribution costs such as commission to travel agents and staff costs.

Caselet 2

1. Being a new and innovative product, the digital camera market is still small with sales of just 30,000 units in India in 2002. The cost of the entry level camera is Rs. 10,000 compared to Rs. 1000 for a film-based camera and the quality of the images still not up to the mark. As it is a technically advanced product, the company has to educate the customers about the product and its benefits. The infrastructure to support the needs of photographers is very low. Only 3% (3,000) of the total photo studios in India (100,000) are providing such services. Thus digital camera companies need to build the brand and create a demand from scratch. These factors indicate that the digital camera as a product is still in the introductory stage and there are ample signals to show that it will soon enter the growth stage.

Companies can develop the following marketing mix to enable digital cameras to grow in the imaging market.

Product: As the product is based on newer technology which the consumers are not used to, companies need to offer the basic product with minimal features. This will make it easier for the customers to understand and use the product. Apart from the product, infrastructure to support the photographer's (customer) needs is very important. Roll-based camera processing services are well established in the market with an approximate 100,000 studios spread across the country. Lack of such support infrastructure for digital imaging will deter the customers from showing an interest in digital cameras. Thus the companies need to either set up their own photographic processing services or encourage franchises or third party entities to do so. Such efforts will help them convince customers to buy their product.

Price: Another important decision the companies need to make about the product is on its pricing. The product will not qualify for the mass market because it is highly technical and the awareness about the product is low. Thus market penetration pricing i.e., charging prices lower than the competition is not the right option. Instead, the companies can go in for cost plus pricing so as to capture the high-end customers and professionals. By adopting cost plus pricing, they can ensure profits and at the same time, provide a value-for-money product. The manufacturers should strive to improve the quality and decrease the price of production over a period of time. They should also try to make the products affordable by providing financing facilities or options for paying in easy installments.

Promotion: The product can be targeted at the higher-end customers and professionals. It can position them as lifestyle products that will appeal to the higher-end customers. The digital cameras reduce costs substantially and prints can be obtained faster and more easily. Thus company can also target professional photographers who view quicker results and lower operational costs as the main criteria. Thus, digital cameras can be positioned as hassle free products that reduce operational costs substantially. Companies can advertise their products in photography magazines which reach the target segment. They can also run special workshops for professionals to show how the digital cameras work, thereby bringing awareness about the products. They can go in for limited advertising in traditional media like print, radio and television.

Distribution: As far as distribution is concerned, the companies can go in for selective distribution. Since the product is positioned as a lifestyle product, they could make it available at high-end departmental stores such as Shopper's Stop and Lifestyle and high-end electronics goods showrooms. The companies could also tie up with select photo studios which are the right destinations to capture the attention of professional photographers. The companies could directly market their products to media companies where usage of imaging equipment is high.

2. The film-based camera market is in the maturity stage. As a result, the profit margins for the companies are decreasing. Sales volumes are high due to high awareness about the products and their increased adoption by the consumers. Film-based cameras are facing competition from substitute products such as digital cameras. Thus film-based camera manufacturers can adopt the following marketing mix:

Product: In order to increase sales, companies need to enhance high-end products to attract the high-end customers and the professionals. Companies also need to launch basic products to attract amateur photographers. They could launch new models more frequently to keep interest up in the product segment and also have good coverage of the imaging market.

Price: In order to increase volumes, the companies need to go in for market penetration strategy. They need to cut prices heavily there by capturing a larger market share. They could have special offers under which various related products are bundled with the cameras. They could also offer products at promotional prices during festivals and special occasions.

Promotion: The companies could go in for heavy advertising. They could use hoardings, print and television media extensively. They could sponsor sports events such as cricket tournaments, which are popular among customers, to maintain brand visibility. They could run special ads during the festival season when the need for photography is high. They could also bundle the product with other products such as consumer durables.

Distribution: The companies could go in for an intensive distribution strategy to penetrate into the market. They could use the large number of studios that are present across the country for this purpose. They could also distribute the products through consumer durable showrooms and sell them through departmental stores and hyper markets (such as Giant and Big Bazaar).

Part C: Applied Theory (Answers)

Answer 1

There are three demographic trends that are of interest to marketers in India. They are rise in older population, rise in working class population and variety-seeking behavior of rural customers.

Due to better healthcare facilities and health awareness, life expectancy in India has increased to 61. Thus senior citizens are increasing in number. Thus marketers can target this segment by launching products specific to the customers. For example insurance majors can offer various pension schemes so as to provide financial stability to the customers. Healthcare companies can launch special services which are specific to this segment. These customers also want to spend time visiting various places. Thus travel companies can offer special packages that cover various holy places and holiday destinations.

The next demographic trend is the increase in working class. The working class population, i.e. the age group of 21-30 years is on the rise. Some estimates predict that India will have a larger segment of working population in the world by 2025. As these customers are variety seekers and have high spending power, this segment is of great interest for the marketers. The companies manufacturing lifestyle products can target this segment. Innovative products such as camera phones and PDA's can be targeted towards this segment.

Another demographic trend is the increased spending power of rural customers and their changing attitude towards lifestyle products. With booming economy their income levels have increased and hence they have higher spending power. Due to proliferation of media and higher literacy rates rural customers are also showing interest in lifestyle products such as high-end audio systems, high-end cars and bikes. Thus companies can sell such products to rural customers which have till now been marketed as urban products. The increased spending power implies marketers can now focus on rural markets to expand their market.

Answer 2

Each person has multiple self-images that influence his buying behavior. These images are closely related to personality traits like habits, relationships and ways he behaves. Such understanding stems from the fact that customers will behave differently with different people on different occasions. A consumer might behave in one way with his family and in another way with his friends and colleagues. Such images are considered as self-images. Customers buy products that match one or more of their self-images and reject others. Often customers try to improve or retain their self-image by choosing certain products whose images are in line with these self-images.

According to marketing analysts, customers have five kinds of self images:

- Actual self image - what the consumer thinks about himself
- Ideal self image - how the consumer would like to see himself
- Social self image - what the consumer thinks others feel about him/her
- Ideal social self image - how the consumer wants others to feel about him/her
- Expected self-image i.e., how the consumer expects to be viewed at a certain point of time in the future.

A customer may choose a particular self-image to guide his behavior or attitude on different occasions. For example while selecting lifestyle products a customer may be guided by his/her social self image, but while buying groceries, a customer may be guided by his/her actual self image.

Thus, marketers need to segment the market on basis of self-images and try to position their products as the representative of a particular self-image. For example, a manufacturer of beauty products may position their products on the ideal social self-image plank.

For this a marketer needs to understand a particular customer segment in terms of the products the customer wants and the relevant self-image and develop products that satisfy both the criteria.

A clear understanding of the various self images an average customer in the target segment holds can help marketers in many ways. It can help them develop appropriate products and position them using appropriate ad messages that attract the target audience. This knowledge can also help the marketer choosing a brand ambassador who projects the select image of the customer.

Answer 3

Life insurance business is relationship-oriented and requires heavy personal selling. The financial and security needs of each customer differ and so the company needs to know each individual customer and his/her needs. Thus a service-oriented company needs to adopt a database marketing approach, for which it has to have a proper customer database. Using those visiting cards, the company can build up a customer database, which can be used for various purposes.

The database can be used to identify prospective customers or obtain specific leads. The company can go through the database and identify potential customers, who are more likely to buy the company's products. Then the company can make a sales call to the customer on the phone or through email or contact him/her personally to try and convert a potential into an actual customer.

The customer database can also be used to identify customers who can fit with the company's requirements. For example, a company can identify the customer segment that would be a match for its newly launched children's insurance policy schemes. The company can make a sales offer to the relevant customers, and thereby increase sales.

The customer database helps the company analyze customer needs individually, develop and offer customized products for them. By offering products that meet customer needs, there is a high probability that the products will be accepted by the customers. Through such efforts, the company can achieve higher sales, with less marketing efforts and costs.

The customer database can also be used to enhance relationships with customers. The company can send greetings on the customer’s birthday or wedding anniversary, thereby increasing its brand recall. The database can also help the company keep track of customer needs and decide on the right time to offer the product to the customer.

Answer 4

The need for channel partners in marketing products is very high in the competitive marketplace. So companies are now also focusing on trade promotions apart from the usual end-consumer promotional campaigns. Manufacturers run various trade promotions on a regular basis to encourage channel partners either to buy more of their product or to promote their products in the market. There are various reasons for such initiatives. Manufacturers offer sales incentives and special offers to the retailers and wholesalers to carry their brand in the market. With the increased competition, pulling the customers towards a brand has become difficult. Companies therefore believe that pushing the product through channel partners is an effective way to improve sales. To encourage the retailers and wholesalers to push their products into the market, they provide various sales related incentives. Also, with the growing popularity of big retailers like FoodWorld, shelf space in their outlets has become scarce. In order to gain a prominent place in their outlets and gain access to shelf space, the companies are forced to offer various incentives.

Another reason for offering sales incentives is to encourage the retailer to buy more products. With attractive buy-back offers, product discounts, and freebies, they entice retailers to buy more of the product. This, in turn encourages retailers to make a higher sales pitch to the end-consumers to clear off the inventory.

As the physical space at the retail outlets serves as an effective medium for promoting their products, manufacturers offer special allowances if they are allowed to use store displays such as window displays, end-of-aisle displays, in-store displays, etc.

Higher bargaining power of the organized retailers like Shopper's Stop, Lifestyle, and FoodWorld can be attributed to various factors. These outlets draw a large number of consumers to one place and this result in higher sales volumes. These outlets also draw a specific target audience that is beneficial to the manufacturers. For example, Shopper's Stop draws higher income group consumers while FoodWorld draws middle class and upper middle class customers. Another notable factor for such high bargaining power is the credibility and image of these outlets. Consumers perceive that Shopper's Stop provides good quality high-end products, and FoodWorld provides value-for-money products. So companies can make use of such perceptions to market their products at these outlets. The exclusivity of these outlets is also another factor that makes them more attractive to manufacturers. Some products require a certain kind of environment to attract customers. For example, if a garment manufacturer wants to launch a high-end fashion garment range, outlets like Shopper's Stop and Lifestyle are the right choice as they provide the right ambience and target customers to the manufacturer.