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B.B.A. (Sixth Semester) EXAMINATION, 2016

606-B : CASES IN MARKETING

(Specialization—IV Marketing)

(2013 Pattern)

Time : Two Hours

Maximum Marks : 50

N.B. :— (i) Case No. 1 is compulsory.

(ii) Solve any *two* cases from Case Nos. 2 to 4.

1. Case No. 1 :

[20]

THE MARKETING ENVIRONMENT

CONSUMERS CONFOUND MARKETERS

Household spending by all UK households amounted to over £500 billion in 1997, or 63% of gross domestic product. This level of expenditure is very closely related to conditions in the country's macro-economic environment. For marketers, it is crucial to be able to read the macro-economic environment and to predict the effects of change in demand for their goods and services. Identifying turning points in the economic cycle has become a work of art as well as science, as consumers frequently confound experts by changing their expenditure levels in a way which could not have been predicted on the basis of past experience.

During the Autumn of 1998, mortgage rates in the UK were falling; unemployment was close to its lowest level for two decades; pay rises were keeping ahead of inflation; and share prices were recovering from their recent falls. Yet expenditure by British households was falling sharply. For three consecutive months retail sales fell in value, with retailers such as Marks and Spencers and Storehouse reporting below expected levels of sales. Retailers have traditionally found excuses to justify poor sales to their shareholders, including weather which is too cold/too hot. Even the death of Diana Princess of Wales was widely blamed for keeping people out of the shops.

P.T.O.

Throughout 1998, prices of consumer goods had fallen significantly, with consumer durables down in price by an average of 2% in a year and clothing by 5%. Economic theory would have suggested that lower prices would have resulted in higher sales, especially considering the other favourable elements of the macro-environment. However, this did not appear to be happening.

What else could have been happening in the marketing environment to explain falling household expenditure? At the time, the media was full of reports of an impending global economic crisis, triggered by difficulties in the Asian economies. Consumer confidence is crucial to many high value household purchases such as houses and cars, with consumers reluctant to commit themselves to regular monthly repayments when their source of income is insecure. Even this may be only a partial solution, as a survey of consumer confidence carried out in October 1998 by GFK on behalf of the European Commission showed that although consumers were pessimistic about the state of the national economy, they were quite upbeat about their personal financial situation.

One possibility was that consumers had become canner. If prices are falling, why not wait longer until prices have fallen further? Consumers had also witnessed the effects of previous over-borrowing and had been more cautious during the recent period of economic growth, resulting in a historically low level of personal sector indebtedness. In 1997, 9% of disposable household income was saved, compared with just 3% at the height of the economic boom of 1988.

For companies who need to commit resources a long while in advance in order to meet consumers' needs, an accurate understanding of the market environment is crucial if stock surpluses and shortages are to be avoided. But this case shows that getting it right can still be very difficult.

Case Study Review Questions :

1. Identify all of the environmental factors that can affect the demand for consumer durables and assess the magnitude and direction of their impact.
2. In what ways can a manufacturer of consumer durables seek to gain a better understanding of its marketing environment?
3. How can a manufacturer of consumer durables seek to respond to environmental change as rapidly as possible?

2. Read the case given below and answer the questions given at the end of the case : [15]

India is among the hottest growth markets for AC makers, just like other consumer goods companies. Daikin entered India in 2000 as an 80:20 JV with Siddharth Shriram group company Siel. In 2004, it bought out Siel's 20% stake to make the Indian firm a wholly owned subsidiary. All these years, Daikin's sold bulk of its ACs to offices and factories and served only the upper middle class homes.

Since entry-level products are driving volumes across categories, the company could not afford to stay away from that segment for long. Daikin launched 14 models for homes last year and the starting model was only 10-15% costlier than similar models offered by the competition. Earlier the price gap used to be 50%.

Changing lifestyle, increasing disposable income, falling prices and wider availability have all contributed to the rise in air-conditioners sales. Demand is also rising in smaller cities and towns as well as more households join the buoying middle class segment.

With introduction of cheaper products, enhanced distribution network and aggressive promotional activities in the last one year, the company claims to have already increased its market share marginally which is encouraging and it wants to become one of the top three room air-conditioners marketers. The company plans to introduce more mass products, which account for more than 80% of the country's room AC market.

Questions :

Develop suitable promotional strategies for the company the following segments :

- (i) Home segment
- (ii) Offices and factories segment.

3. **Case No. 3 :** [15]

In April 2013, Cadbury India's foreign parent acquired Pfizer's interests in the confectionary business for \$4.2 billion. That included the Warner – Lambert product portfolio, known best for Halls, Clorets and Chiclets.

The new strategy centers on Halls, a throat lozenge that enjoyed immense popularity in India until some years ago when it was overtaken by Vicks, Polo and now, Chlormint.

Historically, Halls has been a strong brand in South and West India. That's probably because, according to research conducted by Warner-Lambert, consumers in those regions prefer the menthol flavor, rather than just sweet candy. Cadbury is now planning to aggressively make a dent in the northern and the eastern regions, where awareness levels of the brand Halls have been dismal.

The company is still chalking out its strategies for this, but promotional schemes and heavy advertising will play an important part.

But while Cadbury plans to pull out the stops to make Halls a successful brand, it's important to know the irritations caused to the brand in the past. Up until the early 1990's, Halls was one of the leading cough lozenge brands: industry sources say its 'brand awareness' was as high as 90 percent. But things went downhill from 1997 onward.

The focus remained on enhancing the brand's visibility – crucial for an impulse purchase category. For this, the company introduced long, vertical dispensers and jars for storing Halls at even Kirana shops. In what may appear to be a contrarian move, it also brought down its advertising spends –from about Rs.18 crore in 1997-98 to Rs.6-7 crore in 2000.

But there was a reason: marketing wisdom dictates that it is better to avoid high ad spends on small-category product. The sales network was also realigned to make it more region-focused with the result that inventory levels came down from 20 weeks in the mid-1990s to three weeks by 2000.

The next step was a positioning shift in 2001. Since Procter and Gamble's lozenge brand, Vicks, was already selling on the medicinal platform of curing coughs and colds (and was sold mainly through chemists), Warner-Lambert decided to create a distinction for Halls. From the cough-and-cold platform, Halls has always targeted young adult men. And, most importantly, Warner-Lambert reverted to the original 50 paise price tag.

Warner-Lambert's efforts did pay off. From a Rs. 30-crore brand in 1999-2000, Halls is now valued at Rs. 40 crore. Industry sources say its market share, too, has increased to about 30 percent. Now Cadbury plans to take Halls forward. As the Marketing Consultant answer the following questions:

Questions :

- (i) How would you change the image of halls to make it more favourable ? (Media/Packaging/PR/Ad campaign) ?
- (ii) What sales promotion would you recommend to induce purchase of halls ?
- (iii) How would you measure the success of your advertising and promotion ?

4. Case No. 4 :

[15]

Office Needs, is a small chain of distributors of good-quality office furniture, carpets, safes and filing cabinets. Within each category, the company offers a wide variety of products with a great many variations of each product being offered. For instance, the company currently offers around 42 different designs of chairs and 23 varieties of office desks. The company keeps in touch with advances made in the office furniture field worldwide and introduces those products which are in keeping with the needs of the market in terms of design, workmanship, value for money and technical specifications.

Office Needs trades only in quality furniture which is sturdily constructed. Differences between its products and cheaper, lower quality ones are well known to those who have several years of experience in the business.

An important feature, the company feels, is the availability of a complete list of components of the furniture system. This enables the customer to add bits and pieces of matching designs

and colour in the future. Such components are available for sale separately. Systems are maintained in stock by the company for a number of years, and spare parts for chairs and other furniture are always available.

The trade is currently witnessing a downtrend due to recession and players from local unorganised sector. Office Needs has also experienced the same over the last two years. In addition, it had to trim the profit margins. Last year, it barely broke even and this year it is heading for a small loss for the first time in the company's ten year history.

Questions :

- (i) Explain the term product item, product line and product mix in the context of the above situation.
- (ii) Advise the company in relation to its product mix decisions and its effects on the company's image.
- (iii) What strategy would you recommend to counter competition from the unorganised sector ?