



Institute of Management
JK Lakshmipat University
Jaipur

END TERM EXAMINATION, 2015



MBA (Full Time), Sem-I
MM: 50 Marks

Course: Marketing Management-I
Time: 3 Hours
Subject code: MBA106

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A

Q.1 Head and Shoulders Shampoo has targeted a new segment of people with dry scalps. To be useful, a segmentation scheme must produce segments that meet five basic criteria. Name and briefly describe each of these five criteria, and assess whether a dry scalp segment meets these criteria.

(10 Marks)

Q.2 Maharaja Company Ltd. has come out with a dishwasher in the Indian market. Discuss the various stages in the *Product Life Cycle* that the dishwasher is expected to go through.

(10 Marks)

Q. 3 Products can be classified depending on who the final purchaser is and how he/she uses them. Based on the usage of the products, they are divided into *consumer products* and *industrial products*. Explain how consumer products and industrial products can be further sub-divided or classified.

(10 Marks)

Q.4 How would you go about determining who occupies each of the buying-center roles in a hospital buying patent beds?

(10 Marks)

Q. 5 Consider Porter's value chain and the holistic marketing orientation model. What implications do they have for marketing planning? How would you structure a marketing plan to incorporate some of their concepts?

(10 Marks)

Section B

Q.6 Read the given case study and answer all the questions.

Vinod Tahlil's mind was a riot. For the first time in many years, the marketing manager of white goods manufacturer Electra India was questioning the marketing theories he had always believed in. Was he right in wanting to abandon the super-premium route to brand building, or was he, in fact, trapped in the classical middle-class mindset which made him averse to premium Product?

The previous Sunday, Tahlil had had a long discussion on the issue with Gautam Sarin, his squash partner and marketing head of Plimsoll Watches. Tahlil had walked into the squash court right after a stiff debate with his CEO, Arun Raja, over Electra's plans to launch a super-premium, multi facility refrigerator from its international stable, the Eva 755.

In Eva 755 was a state-of-the-art multi-door fridge, with lots of features and plenty of storage space. It had two zero-degree compartments, an ice crusher, a dispenser for chilled water, a built-in deodorizer and an alarm that went off if the door was not shut properly. The price: a cool Rs. 1 lakh.

The previous year, the company had launched its three-and four-door refrigerators. It followed that up with a 7.5 kg fully automatic washing machine, Ergo, which also carried a premium price tag. This, in fact, was Electra's strategy. If preferred to enter with its premium range rather than follow with mass. Market route, CEO Raja wanted to build brands first. Volumes would be a natural consequence, he said.

But Tahil had his doubts whether Eva would cut much ice with the customer. In a market which was skewed in favor of the value-for-money double-door refrigerator, the multi-door refrigerator seemed very ambitious to him. It was unlikely to build much saliency for Electra, he felt.

To begin with, the very idea of a large-sized refrigerator seemed irrelevant in the Indian context. In the West, convenience stores were fast being replaced by supermarket chains. As a parallel behaviour pattern, consumers there were using refrigerator not just for preserving foodstuffs, but also for long-term storage.

In India, however, the neighbourhood grocer had gained in strength and supermarkets had not become the norm yet. For the same reason, the Western pattern of long-term storage could not be replicated here. "India is a tropical country and there are lots of vendors for fresh vegetables and fruit. So, who needs vast storage facilities in India?" he asked.

Raja was convinced that there was a clear consumer segment which sought premium and super premium products. "There are 5.8 million households in the A1 and A2 socio-economic classes. It's not the 350-million middle class but this super premium, super label conscious segment that I want to target. The self-employed and high-salaried people in this segment are virtually indifferent to high prices," said Raja.

Tahil would not buy the argument. "The so-called high-income group that you refer to comprises largely nuclear families. That means that these families consume less food than joint families do. There may be 5.8 million such families, but they are dispersed all over the country. A rich farmer from Gurgaon, who has a high disposable agricultural income and heads a family of 14, is the one who actually needs this product. But you have no means of getting your product to him."

An entry through a premium segment would entail lower distribution costs, but only if a mass product already existed. "If you have a mass product, you could piggyback on its distribution network and get your premium product to the rich farmer in Gurgaon," said Tahil. "In its absence, reaching out to the dispersed consumer will be prohibitively costly. Also, it will be difficult to get the required volumes."

Raja had other plans. He wanted to enter the super -premium segment so that Eva could be Electra's image leader. "Why did Titan launch Tanishq? Certainly not for volumes," he argued. "The premium range has a positive rub-off on the medium range. If a company launches a super- premium product, its image becomes so overwhelming that the consumer does not question the price or the quality of its other product," he said.

"That 'image leader' angle is a double-edged sword," countered Tahil. "If the super-premium product fails to make a mark in three years' time, its image as well as the company's image will take a beating."

Raja cited the example of BPL. "When it entered the refrigerator market, BPL was aware it was taking on the might of Videocon, a sturdy, reliable, home grown brand. To gain a quantum leap over Videocon's image perception, BPL first launched the three door refrigerator. Its launch stoked the interest of consumers, who gushed and gawked and went home and told their neighbours about it. So, the next time

someone wanted to buy a basic 165-litre refrigerator, he first checked out a BPL fridge. Soon after that, BPL launched its home entertainment system, another super premium product. No one questioned the price or whether the product would be successful because they all knew that there were buyers for the quality that BPL had to offer. Thereafter, every offering from BPL was viewed with respect," he said.

Brand building, Tahil felt, worked when it ran parallel to volume building. "The middle class is very aware and is continuously upgrading its information. It will want to know how many Indians are buying Electra and we need to answer that with some volumes," he said.

In such a scenario, the launch of Eva appeared to be a wasteful exercise. "The premium you can charge on a product must have a meaningful price to quality/value ratio," argued Tahil. "Price is no longer the deciding factor, it is value instead. As we go along you'll find consumers are less likely to compare prices than they did in the past," declared Raja.

Tahil disagreed with Raja on the significance of price. "Price will always be a key factor in the purchase decision. The people you are targeting for Eva watch the market, evaluate products and are very aware. They may buy a pair of Reebok shoes for Rs. 3,000, but a refrigerator for Rs. 1 lakh? That's going too far," he said.

Raja left after coffee, but Tahil carried his disagreement to the squash court. "Raja is trapped in a mythical view of the Indian middle class," he said to Sarin. "All around us lie the debris of companies which over estimated the middle class' willingness to pay for global brands. Yet he believes that Eva has potential," he said.

Sarin felt Tahil was underestimating the market. "In the wake of liberalization, there was a lot of brouhaha -over the relevance of some of the products entering India.

People asked, 'Who needs KFC? Who needs Reebok? 'But we must realize that the consumers aspired for anything global. Now they are asking for particular features and design improvement, he said.

"Who are these consumers?" asked Tahil. "The glorious middle class?"

"Tahil, in durables you have to benchmark differently. When you are selling potato chips or cornflakes, you are looking at one set of consumer behaviour patterns. But in durables, which can replace manual tasks, the consumer is seeking higher value delivery. Within this, there is also a segment which is indifferent to high prices the self-employed and the high-flying executive. They have access to soft loans and hefty perk. Money is no object for them. They are eating out twice a week, buying shoes worth Rs. 3,000 and paying Rs. 1 lakh for health club memberships.

Questions

(a) Critically evaluate the price band being suggested for Eva. Do you agree with Rajan's assessment of the targeted consumer or with Tahil's? Justify your answer. (10 Marks)

(b) What in your view are the target customers for this kind of product? What is the brand positioning that you would suggest for Eva in view of the target market identified by you? (10 Marks)

