IIBM Institute of Business Management

Sample Exam Examination Paper **MM.100**

Subject Code- B104 **Marketing Management**

Section A: Objective Type & Short Questions (30 marks)

- This section consists of multiple choices & short answer type questions.
- Answer all the questions.
- Part One carries I mark each & Part II carries 5 marks each.

Part One

Multiple Choices:

1. It is a concept where goods are produced without taking into consideration the choices or tastes of customers.
   a. Marketing mix
   b. Production concept
   c. Marketing concept
   d. Relationship marketing

2. It involves individuals who buys products or services for personal use and not for manufacture or resale.
   a. Environment analysis
   b. Macro environment
   c. Micro environment
   d. Consumer

3. It is the groups of people who interact formally or informally influencing each other‟s attitudes& behavior.
   a. Consumer behavior
   b. Culture
   c. Reference groups
   d. Primary groups

4. The concept of the product that passes through various changes in its total life known as: a. Product life cycle
   b. Line stretching
   c. Consumer adoption
   d. Product

5. It refers to unique set of brand associations that brand strategist aspires to create or maintain:
   a. Branding
   b. Packaging
   c. Brand identity
   d. Brand image

6. It involves a pricing strategy that charges customers different prices for the same product or service.
    a. Promotional pricing
    b. Price discrimination
    c. Non price competition
    d. None of the above

7. It refers to an arrangement where another company through its own marketing channel sells the products of one producers.
    a. End customer
    b. Wholesaler
    c. Retailing
    d. Strategic channel alliance

8. It involves facility consisting of the means & equipments necessary for the movement of passengers of goods.
    a. Logistics
    b. Warehousing
    c. Transportation
    d. None of the above

9. The advertising which is used to inform consumers about a new product or feature & to build primary demands is known as:
    a. Advertising
    b. Informative advertising
    c. Persuasive advertising
    d. Advertising strategy

10. An art that predicts the likelihood of economic activity on the basis of certain assumptions:
    a. Compensation
    b. Sales forecasting
    c. Sales budgeting
    d. Selling policy

Part Two:

1. Define Marketing Mix.

2. Discuss the concept of Benchmarking.

3. Write a short note on Target Marketing.

4. What do you understand by Pricing Strategy?

END OF SECTION A

Section B: Caselets (40 marks)

- This section consists of Caselets.
- Answer all the questions.
- Each Caselet carries 20 marks.
- Detailed information should form the part of your answer (Word limit 150 to 200 words).

Caselet 1

Ask the company top brass what „almost there‟ means. The answer: a premier Indian retail company that has come to be known as a specialty chain of apparel and accessories. With 52 product categories under one roof, Shoppers‟ Stop has a line-up of 350 brands. Set up and headed by former Corona employee, B. S. Nagesh, Shoppers‟ Stop is India‟s answer to Selfridges and Printemps. As it proudly announces, „We don‟t sell, we help you buy.‟ Back in 1991, there was the question of what to retail.

Should it be a supermarket or a departmental store? Even an electronics store was considered. Finally, common sense and understanding won out. The safest bet, for the all-male team was to retail men‟s wear. They knew the male psyche and felt that they had discerning taste in men‟s clothing. The concept would be that of a lifestyle store in a luxurious space, which would make for a great shopping experience. The first Shoppers‟ Stop store took shape in Andheri, Mumbai, in October 1991, with an investment of nearly Rs. 20 lakh. The original concept that formed the basis of a successful marketing campaign for seven years is here to stay. And the result is an annual turnover of Rs. 160 crores and five stores, nine years later. Everything went right from the beginning, except for one strange happening. More than 60 per cent of the customers who walked into Shoppers‟ Stop in Mumbai were women. This gave rise to ideas. Soon, the store set up its women‟s section. Later, it expanded to include children‟s wear and then, household accessories. The second store in Bangalore came in 1995. The store at Hyderabad followed in 1998 with the largest area of 60,000 sq. ft. The New Delhi and Jaipur stores were inaugurated in 1999. All this while, the product range kept increasing to suit customer needs. The most recent experiment was home furnishings. Secure in the knowledge that organized retailing in global brands was still in its infancy in India, Shoppers‟ Stop laid the ground rules which the competition followed. The biggest advantage for Shoppers‟ Stop is that it knows how the Indian consumer thinks and feels while shopping. Yes, feeling – for in India, shopping remains an outing. And how does it compare itself to foreign stores? While it is not modeled on any one foreign retailer, the „basic construct‟ is taken from the experience of a number of successfully managed retail companies. It has leveraged expertise for a critical component like technology from all over the world, going as far as hiring expatriates from Littlewoods and using state-of-the-art ERP models.

Shoppers‟ Stop went a step further by even integrating its financial system with the ERP model.

Expertise was imported wherever it felt that expertise available in-house was inadequate. But the store felt there was one acute problem. A shortage of the most important resource of them all was trained humans. Since Indian business institutes did not have professional courses in retail management, people were hired from different walks of life and the training programme was internalized. By 1994, the senior executives at Shoppers‟ Stop were taking lectures at management institutes in Mumbai. The Narsee Monjee Institute of Management Studies (NMIMS) even restructured its course to include retail management as a subject. Getting the company access to the latest global retail trends and exchange of information with business greats was an exclusive membership to the Intercontinental Group of Department Stores (IGDS). It allows membership by invitation to one company from a country and Shoppers‟ Stop rubs shoulders with 29 of the hottest names in retailing – Selfridges from the UK, C.K. Tang from Singapore, Lamcy Plaza from Dubai and the like. With logistics I in place, the accent moved to the customer. Shoppers‟ Stop conducted surveys with ORG-MARG and Indian Market Research Bureau (IMRB) and undertook in-house wardrobe audits. The studies confirmed what it already knew. The Indian customer is still evolving and is very different from, say, a European customer, who knows exactly what he wants to purchase, walks up to a shelf, picks up the merchandise, pays and walks out. In India, customers like to touch and feel the merchandise, and scout for options. Also, the majority of

Indian shoppers still prefer to pay in cash. So, transactions must be in cash as against plastic money used the world over. Additionally, the Indian customer likes being served – whether it is food, or otherwise. The company‟s customer profile includes people who want the same salesperson each time they came to the store to walk them through the shop floors and assist in the purchase. Others came with families, kids and maids in tow and expected to be suitably attended to. Still others wanted someone to carry the bags. So, the shops have self-help counters, with an assistant at hand for queries or help. The in-house wardrobe audit also helped with another facet of the business. It enabled Shoppers‟ Stop to work out which brands to stock, based on customer preferences. In fact, the USP of Shoppers‟ Stop lies in judiciously selected global brands, displayed alongside an in-house range of affordable designer wear. The line-up includes Levi‟s, Louis Philippe, Allen Solly, Walt Disney, Ray Ban and Reebok, besides in-house labels STOP and I. Brand selection is the same across the five locations, though the product mix may be somewhat city-based to accommodate cuts and styles in women‟s wear, as well as allowing for seasonal variations (winter in Delhi, for instance, is a case in point).

Stocking of brands is based on popular demand – recently, Provogue, MTV Style, and Benetton have been added. In-house labels are available at competitive prices and target the value-for-money customer and make up around 12 per cent of Shoppers‟ Stop‟s business. Sometimes in-house brands plug the price gap in certain product categories. To cash in on this, the company has big plans for its in-house brands: from re-branding to repositioning, to homing in on product categories where existing brands are not strong. Competition between brands is not an issue, because being a trading house, all brands get equal emphasis. The in-house brand shopper is one who places immense trust in the company and the quality of its goods and returns for repeat buys. And the company reposed its faith in regular customers by including them in a concept called the First Citizen‟s Club (FCC). With 60,000 odd members, FCC customers account for 10 per cent of entries and for 34 per cent of the turnover. It was the sheer appeal of the experience that kept pulling these people back. Not one to let such an opportunity pass, the company ran a successful ad campaign (that talks about just this factor) in print for more than eight years. The theme is still the same. In 1999, a TV spot, which liked the shopping experience to the slowing down of one‟s internal clock and the beauty of the whole experience, was aired. More recently, ads that spell out the store‟s benefits (in a highly oblique manner) are being aired.

The campaign is based on entries entered in the Visitors‟ Book. None of the ads has a visual or text – or any heavy handedly direct reference to the store or the merchandise. The ads only show shoppers having the time of their lives in calm and serene locales, or elements that make shopping at the store a pleasure – quite the perfect getaway for a cosmopolitan shopper aged between 25 and 45. The brief to the agency, Contract, ensured that brand recall came in terms of the shopping experience, not the product. And it has worked wonders. Value-addition at each store also comes in the form of special care with car parks, power backup, customer paging, alteration service and gift-wrapping. To top it all, cafes and coffee bars make sure that the customer does not step out of the store. In Hyderabad, it has even created a Food Court. Although the food counter was not planned, it came about as there was extra space of 67,000 sq. ft. Carrying the perfect experience to the shop floor is an attempt to stack goods in vast open spaces neatly. Every store has a generic structure, though regional customer variances are accounted for. Each store is on lease, and this is clearly Shoppers‟ Stop‟s most expensive resource proposition – renting huge spaces in prime properties across metros, so far totaling 210,000 sq. ft of retail space. Getting that space was easy enough for Shoppers‟ Stop, since its promoter is the Mumbai-based Raheja Group, which also owns 62 per cent of the share capital.

Questions:

1. What are the significant factors that have led to the success of Shoppers‟ Stop?

2. How should Shoppers‟ Stop develop its demand forecasts?

Caselet 2

The rise of personal computers in the mid 1980s spurred interest in computer games. This caused a crash in home Video game market. Interest in Video games was rekindled when a number of different companies developed hardware consoles that provided graphics superior to the capabilities of computer games. By 1990, the Nintendo Entertainment System dominated the product category. Sega surpassed Nintendo when it introduced its Genesis System. By 1993, Sega commanded almost 60 per cent of Video game market and was one of the most recognized brand names among the children.

Sega‟s success was short lived. In 1995, Saturn (a division of General Motors) launched a new 32-bit system. The product was a miserable failure for a number of reasons. Sega was the primary software developer for Saturn and it did not support efforts by outside game developers to design compatible games. In addition, Sega‟s games were often delivered quite late to retailers. Finally, the price of the Saturn system was greater than other comparable game consoles. This situation of Saturn‟s misstep benefited Nintendo and Sony greatly. Sony‟s Play Station was unveiled in 1994 and was available in 70 million homes worldwide by the end of 1999. Its "Open design" encouraged the efforts of outside developers, resulting in almost 3,000 different games that were compatible with the PlayStation. It too featured 32-bit graphics that appealed to older audience. As a result, at one time, more than 30 per cent of PlayStation owners were over 30 years old. Nintendo 64 was introduced in 1996 and had eye-popping 64-bit graphics and entered in more than 28 million homes by 1999. Its primary users were between the age of 6 and 13 as a result of Nintendo‟s efforts to limit the amount of violent and adult-oriented material featured on games that can be played on its systems. Because the company exercised considerable control over software development, Nintendo 64 had only one-tenth the number of compatible games as Sony‟s PlayStation did. By 1999, Sony had captured 56 per cent of the video game market, followed by Nintendo with 42 per cent. Sega‟s share had fallen to a low of 1%. Hence, Sega had two options, either to concede defeat or introduce an innovative video machine that would bring in huge sales. And Sega had to do so before either Nintendo or Sony could bring their next-generation console to market. The Sega Dreamcast arrived in stores in September 1999 with an initial price tag of $199. Anxious gamers placed 300,000 advance orders, and initial sales were quite encouraging. A total of 1.5 million Dreamcast machines were bought within the first four months, and initial reviews were positive. The 128-bit system was capable of generating 3-D visuals, and 40 different games were available within three months of Dream cast‟s introduction. By the end of the year, Sega had captured a market share to 15 per cent. But the Dreamcast could not sustain its momentum. Although its game capabilities were impressive, the system did not deliver all the functionality Sega had promised. A 56K modem (which used a home phone line) and a Web browser were meant to allow access to the Internet so that gamers could play each other online, surf the Web, and visit the Dreamcast Network for product information and playing tips. Unfortunately, these features either were not immediately available or were disappointing in their execution. Sega was not the only one in having the strategy of adding functionality beyond games. Sony and Nintendo followed the same approach for their machines introduced in 1999. Both Nintendo‟s Neptune and Sony‟s PlayStation 2 (PS2) were built on a DVD platform and featured a 128-bit processor. Analysts applauded the move to DVD because it is less expensive to produce and allows more storage than CDs. It also gives buyers the ability to use the machine as CD music player and DVD movie player.

As Sony marketing director commented, "The full entertainment offering from Play Station 2 finitely appeals to a much broader audience. I have friends in their 30s who bought it not only because it‟s a gaming system for their kids, but also a DVD for them." In addition, PlayStation 2 is able to play games developed for its earlier model that was CD-based. This gives the PS2 an enormous advantage in the number of compatible game titles that were immediately available to gamers. Further enhancing the PS2‟s appeal is its high-speed modem and allows the user‟s easy access to the Internet through digital cable as well as over telephone lines. This gives Sony the ability to distribute movies, music, and games directly to PS2 consoles. "We are positioning this as an all-round entertainment player," commented Ken Kutaragi, the head of Sony Computer Entertainment. However, some prospective customers were put off by the console‟s initial price of $360. Shortly after the introduction of Neptune, Nintendo changed its strategies and announced the impending release of its newest game console, The GameCube. However, unlike the Neptune, the GameCube would not run on a DVD platform and also would not initially offer any online capabilities. It would be more attractively priced at $199. A marketing vice president for Nintendo explained the company‟s change in direction, "We are the only competitor whose business is video games. We want to create the best gaming system." Nintendo also made the GameCube friendly for outside developers and started adding games that included sports titles to attract an older audience. Best known for its extra ordinary successes with games aimed at the younger set, such as Donkey Kong, Super Mario Bros, and Pokemon, Nintendo sought to attract older users, especially because the average video game player is 28. Youthful Nintendo users were particularly pleased to hear that they could use their handheld Game Boy Advance systems as controllers for the GameCube. Nintendo scrambled to ensure there would be an adequate supply of Game Cubes on the date in November 2001, when they were scheduled to be available to customers. It also budgeted $450 million to market its new product, as it anticipated stiff competition during the holiday shopping season. With more than 20 million PlayStation 2 sold worldwide, the GameCube as a new entry in the video game market would make the battle for market share even more intense. For almost a decade, the video game industry had only Sega, Nintendo, and Sony; just three players. Because of strong brand loyalty and high product development costs, newcomers faced a daunting task in entering this race and being competitive. In November 2001, Microsoft began selling its new Xbox, just three days before the GameCube made its debut. Some observers felt the Xbox was aimed to rival PlayStation 2, which has similar functions that rival Microsoft‟s Web TV system and even some lower level PCs. Like the Sony‟s PlayStation 2, Xbox was also built using a DVD platform, but it used an Intel processor in its construction. This open design allowed Microsoft to develop the Xbox in just two years, and gave developers the option of using standard PC tool for creating compatible games. In addition, Microsoft also sought the advice of successful game developers and even incorporated some of their feedback into the design of the console and its controllers. As a result of developers‟ efforts, Microsoft had about 20 games ready when the Xbox became available. By contrast, the GameCube had only eight games available. Microsoft online strategy was another feature that differentiated of the Xbox from the GameCube. Whereas Nintendo had no immediate plans for Web-based play, the Xbox came equipped with an Ethernet port for broadband access to Internet. Microsoft also announced its own Web-based network on which gamers can come together for online head-to head play and for organized online matches and tournaments. Subscribers to this service were to pay a small monthly fee and must have high-speed access to the Internet. This is a potential drawback considering that a very low percentage of households world over currently have broadband connections. By contrast Sony promoted an open network, which allows software developers to manage their own games, including associated fees charged to users. However, interested players must purchase a network adapter for an additional $39.99. Although game companies are not keen on the prospect of submitting to the control of a Microsoft-controlled network, it would require a significant investment for them to manage their own service on the Sony-based network. Initially the price of Microsoft‟s Xbox was $299. Prior to the introduction of Xbox, in a competitive move Sony dropped the price of the PlayStation 2 to $299.

Nintendo‟s GameCube already enjoyed a significant price advantage, as it was selling for $100 less than either Microsoft or Sony products. Gamers eagerly snapped up the new consoles and made 2001 the best year ever for video game sales. For the first time, consumers spent $9.4 billion on video game equipment, which was more than they did at the box office. By the end of 2001 holiday season, 6.6 million PlayStation 2 consoles had been sold in North America alone, followed by 1.5 million Xbox units and 1.2 million Game Cubes. What ensued was an all out price war. This started when Sony decided to put even more pressure on the Microsoft‟s Xbox by cutting the PlayStation 2 price to $199. Microsoft quickly matched that price.

Wanting to maintain its low-price status, Nintendo in turn responded by reducing the price of its the GameCube by $50, to $149. By mid 2002, Microsoft Xbox had sold between 3.5 and 4 million units worldwide. However, Nintendo had surpassed Xbox sales by selling 4.5 million Game Cubes. Sony had the benefit of healthy head start, and had shipped 32 million PlayStation 2s. However, seven years after the introduction of original PlayStation, it was being sold in retail outlets for a mere $49. It had a significant lead in terms of numbers of units in homes around the world with a 43 per cent share. Nintendo 64 was second with 30 per cent, followed by Sony PlayStation 2 with 14 per cent. The Xbox and GameCube each claimed about 3 per cent of the market, with Sega Dreamcast comprising the last and least market share of 4.7 per cent. Sega, once an industry leader, announced in 2001 that it had decided to stop producing the Dreamcast and other video game hardware components. The company said it would develop games for its competitors‟ consoles. Thus Sega slashed the price of the Dreamcast to just $99 in an effort to liquidate its piled up inventory of more than 2 million units and immediately began developing 11 new games for the Xbox, four for PlayStation 2, and three for Nintendo‟s Game Boy Advance. As the prices of video game consoles have dropped, consoles and games have become the equivalent of razors and blades. This means the consoles generate little if any profit, but the games are a highly profitable proposition. The profit margins on games are highly attractive, affected to some degree by whether the content is developed by the console maker (such as Sony) or by an independent game publisher (such as Electronic Arts). Thus, the competition to develop appealing, or perhaps even addictive, games may be even more intense than the battle among players to produce the best console. In particular, Nintendo, Sony, and Microsoft want games that are exclusive to their own systems. With that in mind, they not only rely on large in-house staffs that design games but they also pay added fees to independent publishers for exclusive rights to new games. The sales of video games in 2001 rose to 43 per cent, compared to just 4 per cent increase for computer-based games. But computer game players are believed to be a loyal bunch, as they see many advantages in playing games on their computers rather than consoles. For one thing, they have a big advantage of having access to a mouse and a keyboard that allow them to play far more sophisticated games. In addition, they have been utilizing the Internet for years to receive game updates and modifications and to play each other over the Web. Sony and Microsoft are intent on capturing a portion of the online gaming opportunity. Even Nintendo has decided to make available a modem that will allow GameCube users to play online. As prices continue to fall and technology becomes increasingly more sophisticated, it remains to be seen whether these three companies can keep their names on the industry‟s list of “high scorers”.

Questions:

1. Considering the concept of product life cycle, where would you put video games in their life cycle?

2. Should video game companies continue to alter their products to include other functions, such as email?

END OF SECTION B

Section C: Applied Theory (30 marks)

- This section consists of Applied Theory Questions.
- Answer all the questions.
- Each question carries 15 marks.
- Detailed information should form the part of your answer (Word limit 200-250 words).

1. What do you understand by product life cycle? Discuss implications and limitations of product life cycle concept.

2. Describe role of marketing channels. List the different types of marketing channels.

END OF SECTION C