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[2010]

M.B.A. Ist Semester (Main/Back) Examination-Jan./Feb. 2010

Marketing Management

1M6106

Time : 3 Hours

Maximum Marks : 70

Min. Passing Marks : 28

Instructions to Candidates:

1. *The question paper shall be divided in to* ***two*** *sections.*
2. *There are sections A & B. Section A contains six questions, out of which any four are to be attempted. Section B contains one question, which is a short case study/application based and is compulsory.*
3. *All questions carry* ***equal*** *marks.*

Section - A

1. Explain the nature and kinds of marketing environment. Also give some examples of environmental factors which have the potential of influencing marketing strategies. **(14)**

2. Explain the important communication concepts relevant to the rural markets. What is the significance of usage symbols and pictures, colour and music in rural marketing communication? Discuss with suitable illustrations. **(14)**

3. What do you understand by consumer behaviour? Explain the various factors influencing consumer behaviour taking example of any consumer non durable of your choice. **(14)**

4. A company in the consumer durable industry has just added a cellular phone to its product line and has approached you for its positioning. The product is targeted at middle income households and is priced at Rs.5000. The company is a leader in its other product line. Workout a positioning strategy and its rationale for this product. **(14)**

5. Given below is a list of products what kind of distribution channels (direct or indirect) Would you recommend for each of them and why?

a) Soaps

b) Cars

c) Engineering Goods

d) Industrial lubricants **(3½×4=14)**

6. One of the key trends today is that organizations are becoming market driven. Workout a market research plan and marketing intelligence system for home appliances company that wishes to become market driven. **(14)**

Section - B

7. Free-flights promotion ends in disaster

The Hoover company's attempt to sell more white goods by offering an incentive of free flights has become a legendary disaster in the field of sales promotions. An examination of the case is useful for highlighting some of the problems of planning, implementing, and monitoring sales promotions.

During the early 1990s, Hoover was faced with a period of economic recession in which discretionary expenditure on consumer durables was held back. In these conditions, most vacuum sales were replacements for worm-out machines or first-time buys for people setting up home. The challenge was to increase the sales of machines bought to upgrade existing equipment.

The company came up with the idea of offering free airline tickets to America for anybody buying one of its vacuum cleaners or other white goods. For many people, a holiday in the USA may have been perceived as an unnecessary and unaffordable luxury during a period of recession, but one that might be justified if it came free with the purchase of an 'essential' vacuum cleaner.

The immediate result of the sales promotion was to boost the company's sales of vacuum cleaners to more than double the level of the previous year. So far so good. But then serious problems set in. The first problem occurred when Hoover could not satisfy demand for its vacuum cleaners and had to resort to paying its staff overtime rates of pay in order to increase supply. It should be remembered that the initial objective of the promotion was to utilize existing spare capacity in the firm rather than add to that capacity. The company had carried out insufficient research prior to launching its incentive. Had it done so. it might have reached the conclusion that the incentive was too generous and was likely to create more demand than the company could cope with.

A third and more serious problem occurred when large numbers of buyers tried to use their free flight vouchers. All sales promotion are based on an assumption of take-up rates, which can be low as 5-10%. Anything higher, and the cost of the incentives actually given away can wipe out the benefits arising from increased sales. In this case, Hoover had carried out insufficient pre-testing of the sales promotion in order to assess the likely take-up rate and was surprised by the actual take-up which subsequently occurred. In an attempt to control cost, the company became notorious for its attempts to 'suppress' take-up of free flights. Many claimants complained that telephone lines were constantly busy and, when they did get through, they were offered the most unattractive flights possible. It was reported that claimants from south-east of England were offered only flights departing from Scotland and those from scotland offered only flights from London, in order to reduce the attractiveness of the free offer. These activities attracted high levels coverage in the media and left a once highly respected brand with a perception of mistrust. Five years after the initial debacle, the Hoover Holiday pressure Group continued to be an awkward reminder for the company.

The free flights promotion eventually cost Hoover a reported £37 million in redemption charges, without bringing about any long term growth in sales. With appropriate pre-testing, these costs could have been for seen. Worse still, the company's brand image had been tarnished in a way that would take many years - if ever - to recover from.

Questions for Discussion -

1. What are the inherent problems for a company such as Hoover in assessing the effectiveness of sales promotion activity? **(4)**

2. Identify a programme of research that Hoover could have undertaken in order to avoid the costly failure of its free flights promotion. **(5)**

3. What alternative methods of promotion might have been more suitable to achieve Hoover's objective of utilizing spare capacity during a period of economic recession? **(5)**