

PGDM (Insurance Business Management), 2020-22
Channel Management
INS -201
Trimester –II, End-Term Examination, January 2021

Time allowed: 2½ Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the answer sheet.

Note: Please be relevant and brief in your answers. Section B is compulsory.

Section-A

There are 3 questions in this section. Each question carries 10 marks. (Min. 200 words)

A-1. Describe the advantages provided by channels of distribution for a firm. Where does a distribution channel fall among the 4 Ps of the marketing mix?

(CILO 2)

OR

A-1. Compare direct and indirect sales channels. Explain giving examples?

(CILO 2)

A-2. “Channel Management is part of overall marketing strategy and cannot be separated from it” Justify and explain the same with help of an example (CILO 1)

OR

A-2. Describe the differences between the intensive and extensive types of distribution strategies with appropriate product examples of the same. (CILO 1)

A-3. “Brokers represent clients and not insurers” and “Agents represent insurers, not clients” Distinguish between agents and brokers in light of the above statements. (CILO 2)

OR

A-3. List any 5 insurance product distribution intermediaries recognized by IRDAI. Explain briefly the role played in India by any two out of them.

(CILO 3)

Section B

Case Study

(20 Marks)

Ramesh was gazing intently into his laptop screen

It was filled with row after row of headphones, from expensive ones to dirt cheap ones. Though they varied in style and price, the headphones did have one thing in common: where they were being sold. The website he was looking at, full of options, was Amazon.

As the Chief Marketing Officer (CMO) of Rose Audio, maker of high-end personal audio equipment, Ramesh was thinking of a new distribution strategy.

The market for personal audio equipment had exploded in the past few years, especially in India, and it showed no signs of slowing down. India had the second largest number of internet users and the smartphone being the primary browsing device for most Indians. With the smartphone boom, every Indian had the means to consume content of all kinds - music, movies, TV, all from their pockets. Subsequently, the online streaming platforms grew largely influencing the growth in the demand for earphones and headphones.

Rose audio had been for years in India for past 12 years and had earned a name of itself in the personal audio equipment category. Trade journals and tech magazines had given many awards to rose audio over the years. Headphone sales were 60% of overall sales revenue for Rose audio. What differentiated rose audio from the competition was quality and price. While competition sold an entry-level headphone for Rs. 500/- going up to Rs. 6000. Rose audio headphones started with a price point of Rs. 15000/- going up to Rs. 65000 apiece.

Now rose audio wanted to get a share of the ever-increasing and growing entry level segment and start selling Rose branded headphones to be called the E Headphone starting at Rs. 2500 /- a cheaper, entry-level model they thought will appeal to college-going students, middle-class price-conscious buyers with crystal clear sound and a sturdy body.

Rose Audio had started selling initially in India through its stores. Later on, as the usage of the internet grew in India. It started selling through its website online. Rose audio was perceived as a high-end brand. Ramesh was excited at the opportunity of tapping into the huge market in India with the entry-level E Headphones. But at the same time disturbed by the challenges of selling the new product in the price category which had a plethora of brands and was an intensely crowded market, though it was not an impossible task the question was how to do it successfully.

Ramesh had two subordinates. Joydeep Roy, the Distribution Head Channels-North manager, who tended to favour aggressive approaches. He wanted to sell the new model on Amazon, which he felt had more customers than company's site." And Ajay Tomar Distribution Head Channels- South who had recently joined, who was worried about whether the new headphones would stand out on Amazon. He thought that keeping the new model on the Rose Audio site, where their team could control the entire sales process, would be better over the long term.

Ramesh glanced at his smartwatch and saw a text from the CEO it read: Where are we on the online channel strategy? Looking forward to your presentation.

The new model was almost ready, and the CEO wanted a decision soon. He had to give a presentation before the CEO in just 24 hours. Ramesh had time to think, though not a lot of it.

Ramesh closed his laptop and walked into the cabin of Ajay. “Hi, Ajay got a minute “Hi Ramesh what’s up”.” Ajay as you are aware we have to close our decision on the launch of E headphones sales via Amazon. Wanted to know where you stand on the same” said Ramesh

“Ramesh I do not want to sound alarmist. But I think selling on amazon for a brand like us would be a disaster. There are enough reasons to think so. Amazon over time comes to know about our margins and customer data something which at this point we only know when selling through our website or stores. Just wanted to share with you my friend Chandan working in Novelty Stationeries came out with a new pen stand holder with a Bluetooth speaker and listed it on amazon. It was a unique product a blue speaker and pen stand holder. For 6 months everything was OK. Great sales, great ratings and reviews. Soon there were copycats on the same space with half the price with a slightly different design so Novelty could not take them to court for patent violation. To top it all Amazon Basics which is Amazon’s brand of in-house electronic products came with a similar product. Now Novelty Stationers was left high and dry and had to exit and it simply could not fight the price war. After six months there were no fresh orders and that was the end of the story for Novelty. I hope the same does not happen to us too.

Amazon is all about buying at a low price. People always buy the lower-priced version on amazon. We will have to keep lowering our price to succeed on such a platform. Why should we get in this mess? We run the risk of making our upmarket brand pedestrian and harm our other customers who buy our products which gives them an air of exclusivity. This move will dilute our brand equity. “Good for you to share this Ajay said Joydeep. But your counterpart Joydeep is upbeat on going ahead with amazon. Let me have a word with him too.

Ramesh went back to his cabin and called Joydeep “Joydeep we are all set to launch E Headphones in the market but just wanted to get a sense of whether distributing it through amazon is a good idea or not. Your final views on this. I know you are for it but just wanted to know why?”

“Ramesh I know Amazon Prime has many subscribers in India over 10 lakhs. Just imagine all the visibility of being on amazon. Plus, we can sell a product to Amazon for it to resell, or sell the headphones ourselves and let Amazon handle the warehousing and shipping, or list them on Amazon and ship them on our own. What is the harm in trying it out? Test it out for real. If it does not work, we always have our website to sell. Everyone in this company agrees we have a great new product. All I want is to get it to as many people as it can.”

But don’t you think it dilutes our brand equity said Joydeep. “No Joydeep the best of the brands are on amazon now. I was just looking at luxury watch brands, an iconic brand like apple, laptops, appliances all are present on amazon, and we are not putting the entire product line on Amazon. Just one product that is it. We get new customers who never brought a Rose Audio product ever due to the craze for shopping on amazon among the youth. This craze is reflected on amazon prime day where thousands of deals happen in a minute. With 24 hours’ delivery anywhere in India is a bonus. If I put a number on my expected sales my guess estimate is 20000 units from this channel this year”

Ramesh's subordinates were clear in their thoughts but now the confusion prevailed in his mind. He had to make a decision soon and convey it to the CEO?

Questions:

1. How does selling on Amazon benefit —or harm —Rose Audio’s image as a high-end brand? (8 Marks)
2. If Rose audio decides to sell on Amazon and has to compete on price, will affect its brand image? (5 Marks)
3. Whose arguments do you find more convincing Ajay or Joydeep’s and Why? (7 Marks)

(CILO 2 and 3)