

PGDM (RM), 2014-16
Marketing Management-I
Subject Code: RM-102

Trimester-I, End Term Examination: September 2014

Time: 2 Hrs 30 Min

Max Marks: 50

Roll No:

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Section A

Attempt any three questions. Each question carries five marks.

Q1. When the Indian market is price value conscious, companies cannot really go and persuade the customers to pay more for better service. Do you agree? Give your rationale behind the quality insensitivity of Indian customers.

Q2. Coca-Cola has sustained success in the maturity stage of the product life cycle for many years. Discuss how Coca-Cola has evolved over the years. Identify ways that Coca-Cola can continue to evolve to meet consumer changing needs and wants.

Q3. Recall the last time you had an unsatisfactory encounter with the service provider. Given the dimensions of service quality, identify the negative gaps between expectations and the actual service.

Q4. 'Proper analysis of consumer behaviour, prior to launching a brand is its key to success'. Do you agree? Illustrate using a suitable example.

Q5. Choose a product that is in an early stage of the product life cycle. Also choose a product that you believe is a matured product. How is the marketing different for the two products?

Section B

Attempt any two questions. Each question carries ten marks.

Q1. A multinational company, manufacturing 'electric massager' and entering the Indian market for the first time, has appointed you as its marketing manager. Prepare a marketing plan keeping in mind the influence of internal and external factors.

Q2. Where does the product 'wet wipe' fall on the product life cycle stage? Based on their position on the PLC, discuss the different strategies adopted by Grasim Industries Ltd. to be a market leader for its 'Kara' brand amidst the present competition.

Q3. In the event of failure of direct methods, indirect methods can be used for generating new product ideas. Do you agree with the statement? Explain the methods and sources of new product idea for fast moving consumer goods like an 'herbal tooth paste'.

Section C (15 marks) Case study (compulsory)

CHINA MOBILE GROWS THROUGH SEGMENTATION⁵⁸

A few years ago, farmers in the town of Dagoucun in Tibet had to travel 20 kilometers to make a phone call, and they would truck their produce to distant cities in hopes of finding a buyer. But last year, the village received cell phone service through China Mobile, and today, farmers receive crop prices on their phones and are discovering which more marketable crops they should plant for ready sale, such as herbs for traditional medicine. Instead of farmers going to the city, the buyers contact them to pick up produce. In towns all over this area, similar changes are causing the Chinese cellular market to keep exploding, and one of the driving forces behind this change is China Mobile.⁵⁹

Where is the world's largest cellular phone company? You might have guessed Finland, the home base of Nokia, or the United States, but you'd be wrong. China Mobile is the world's largest provider of cell phone service with more than 332 million subscribers—more than the entire population of the United States—and it continues to grow at the astounding rate of 5 million customers per month.⁶⁰ Each year it transmits over 353.38 billion text messages and 1.2 trillion minutes of voice traffic.⁶¹ Because of its immense size, it has been rewarded with a market capitalization of \$220 billion, making it the most valuable cellular carrier on Earth and the largest company on the Hong Kong Stock Exchange.⁶²

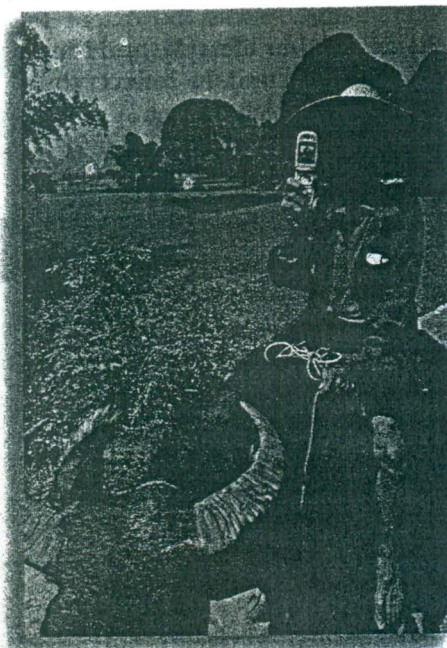
Company

China Mobile spun off from China's state telecommunication company in 2000 and built its success by marketing in urban China. As cell phone penetration in Chinese cities rose to nearly 100 percent, China Mobile realized that China's interior, home to more than 700 million people, experienced cell phone penetration of only 12 percent.⁶³ To reach this enormous rural market, China Mobile invested in 230,000 cellular towers, a number that dwarfs the investment of Cingular, the largest U.S. carrier, with its 47,000 towers. With nearly a quarter billion towers throughout China, 97 percent of the Chinese population have access to China Mobile's signal. Thus, whether they're riding inside subway cars in Beijing or climbing to the top of Mount Everest, customers can still use their China Mobile phones.⁶⁴

The company operates across all 31 of China's provinces,⁶⁵ offering traditional telecommunication services as well as a variety of multimedia offerings through its partnerships with News Corp, MTV, Warner Music, the NBA, and local cable companies. Part of its success stems from its strong focus on value-added services, such as ringtones, and its dedication to working with partners to make the cell phone the primary medium for communication. In a country where computer penetration remains low, cell phones provide the main means of access to the Internet for consumers.

Marketing Strategy

Beyond these strategic decisions, China Mobile's tremendous success also results from the company's careful and targeted segmentation of the Chinese cellular



To target the rural customer segment, China Mobile has a special low cost program with several value-added services.

China Mobile targets the college segment with a relatively low cost program and special services like exclusive concerts featuring popular performers.



market. Segments of Chinese mobile phone users, according to the company, include wealthy businessmen, college students, and rural farmers. To serve these groups, various service plans aim to maximize handset penetration, then increase the use of value-added services that appeal to certain groups, such as ringtones.

Rural Segment In the rural segment, China Mobile faces the challenge of winning customers without sacrificing its profit margins. The average income in rural China is only \$400 per year, which leaves little discretionary spending room for expensive cell phones.⁶⁶ However, by carefully targeting rural populations with the right mix of services, the company has been able to maintain its profit margins. Furthermore, to keep costs low, China Mobile buys little in the way of advertising and instead relies on influential locals to persuade others to purchase handsets and prepaid cards.

The China Mobile service plan for farmers costs \$0.25 per month, though placing or receiving individual calls and text messages entails an extra cost. What makes China Mobile's rural plans more attractive than those of its competitors remains the vast array of available value-added products. For example, the basic service plan includes free access to China Mobile's Agricultural Information Service, which delivers information about the production, supply, and sale of agricultural products; tips on managing rural administrative affairs; and details that affect rural residents' livelihood, such as crop prices or tips on duck farming, all delivered via text message.⁶⁷

Wealthy Businessmen Segment In a completely different market, China Mobile still must compete in the saturated urban segment; it does so by targeting wealthy businessmen who demand services that will make their lives more enjoyable. To attract this segment, China Mobile offers Go-Tone, which is relatively expensive at \$6.40 per month, to provide mobile access to exclusive golf clubs and special VIP waiting rooms in Chinese airports.

College Segment Not unlike farmers, college students worry about costs, but their wishes and demands are markedly different. To attract budget-conscious students, China Mobile offers the M-Zone plan for \$2 a month. Targeted at customers who are avid music lovers in their 20s, M-Zone keeps them informed and grants them access to recent hits and releases by well-known artists. These consumers are predominately interested in short text messages and music downloads. Therefore, in addition to phone-related features, China Mobile offers this segment exclusive concerts featuring popular performers.⁶⁸

Creating Value through Additional Services Across all three of these segments, China Mobile offers services that are available only to its subscribers, whether those services pertain to weather, campus information, banking services, police information, or city services. It also enables subscribers to access the Internet.

Results of China Mobile's Segmentation Efforts

China Mobile's success, largely due to its well-thought-out segmentation program, seems in no real danger of stopping. The growth it has gained across its segments has garnered global attention for the relatively new firm. For example, Millward Brown, a global marketing research firm, ranks China Mobile fourth among the top 100 most powerful brands, and *BusinessWeek* calls it the top among its "20 Best Chinese Brands."⁶⁹

Questions

1. Which types of segmentation strategies does China Mobile use to categorize the Chinese market? Are these types effective in this market? Provide support for your answer.
2. In many areas of rural China, China Mobile is the only cell phone carrier. So why would it go to the trouble of creating value-added services to serve a captive segment like farmers?
3. What methods do you think China Mobile uses to prevent customers from choosing a less expensive plan? For example, why do college students choose the \$2 M-Zone plan instead of the \$0.25 rural plan? How do you think that China Mobile identified the services for which college students would be willing to pay more?