PGDM-(RM), 2014-16

RETAIL LUXURY AND BRAND MANAGEMENT

RM-403

Trimester – IV, End-Term Examination: September 2015

Time allowed: 2hrs 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.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section – A

Answer any three Questions : **(3*5 =15)**

Q1. What is your understanding of brand name strategies? Explain with examples.

Q2. Discuss the brand building imperatives for transnational brands.

Q3. Is branded house the ideal brand relationship to be followed today? Give reasons.

Q4. What do you understand by elements of a retail brand? Explain in Indian context.

Q5. What branding strategy you would follow for luxury brands?

Section – B

Answer any two Questions : **(2*10 =20)**

Q1. Discuss the present branding challenges and opportunities? Give examples.

Q2. How the brand identity prism of IBM differs from that of Apple Inc.?

Q3. What do you understand by the process of Internationalization of Brands?

Turn Over

SECTION C

Q1. Read the case and answer the following question given in the end. (15 marks)

In the late 1990s, in anticipation of soaring demand during the dotcom boom, California wine growers began planting new vines with abandon. The production of Chardonnay and Cabernet Sauvignon grapes doubled, and Merlot tripled within the decade, making America the fourth largest wine producer in the world. In the four years prior to 2001, the US wine industry witnessed tremendous growth with the number of wineries growing more than 24% to over 3,000 domestic producers overall.[ix] But while America was the fourth largest producer, it remained stuck at 34th place in world per capita wine consumption.

Consumers faced a choice of hundreds of different grape varietals (Syrah, Shiraz, Cabernet, Zinfandel, Chardonnay, Riesling, Pinot Grigio etc), colors (red, white, pink), packaging sizes (187 ml, 750 ml, 1.5 l etc), styles of wine, countries of origin (US, France, Australia, Italy, Chile etc) and regions (California, Bordeaux, Barossa etc). The myriad choices made becoming better informed a daunting proposition: more than 80% of wine drinkers felt that their knowledge of wine was average or below average, according to a nationwide survey.[x] "Many people still don't understand the place name difference. That Burgundy, if it's red is going to be pinot noir, unless it's from Beaujolais. Côte-Rôtie is Syrah," says Rebecca Chapa of Tannin Management, a San Francisco-based wine consulting firm. "It's really difficult for them [people] with so many options and with so many SKUs on the shelf now."[xi]

Overall the industry was divided into two strategic groups: budget and premium segments. The intense competition in the budget segment fueled industry consolidation. "The consumer wants quality or price – one or the other," according to Denise Johnson of Napa Valley Winery Exchange. "They've got to get one of them. If you're not competing in one of them then, well, you're probably not going to make it."[xii] The top eight companies in the US produced more than 75% of the wine volume, while the estimated 2,500 other wineries produced the remaining 25%. In dollar terms, however, the wines produced by the top eight companies were low priced, selling below $7 per bottle. These low-priced wines accounted for 77% of the volume of wine sold, yet brought in just 48% of sales. At the other end of the spectrum, the remaining 23% of wine sold above $7 were considered premium wines and accounted for 52% of sales. The dominance of a few key players in the low-price volume market gave them an ability to leverage distributors to gain shelf space and put millions of dollars into marketing budgets. Small boutique wineries survived, but they were forced to remain small or risk being clobbered by the majors.

In the late 1990s, as the wine sector consolidated at the lower end of the market, there had been a simultaneous consolidation of retailers and distributors across the United States. The number of distributors had fallen from nearly 5,000 in the 1950s to approximately 250 by 2000.[xiii] On average there were only two major distributors per state. According to the American Vintners Association, this left only 50 to 100 of the largest wineries -- out of more than 2,500 producers – with access to widespread national distribution.[xiv] Reinforcing this claim, research by the American Wine Institute showed that only 17% of its members had distribution in all 50 states.[xv]

At the same time there was also enormous retail consolidation, with the top ten supermarkets controlling 55% of the US market in 2000.[xvi] The giant warehouse chain Costco was the number one wine retailer in America by volume, with Target, Sam's Club, and Wal-Mart close behind. As a result, tens of thousands of local, national, and international wine brands were vying for space on the store shelves of a handful of powerful supermarkets who demanded popular wines at very low prices.

As the bargaining power of distributors and major retailers rose exponentially against the plethora of wine makers, a juggernaut emerged. While the overwhelming majority of wine producers focused on low volume / high priced wines to gain the maximum return on their investment, the distribution system increasingly focused on high volume / low priced products to maximize their economies of scale. "The distribution model is driven by volume and scale because it is a capital-intensive labor-intensive system," according to Vic Motto, CEO of the Global Wine Partners, a wine investment house. "As such, the people who own that system want to take advantage of economies of scale."[xvii]

By way of illustration, a case of wine weighs 15 kilograms (33 pounds) regardless if it contains a $200 bottle wine or a $2 bottle of wine. Therefore, if a winery wants to gain nationwide distribution it needs to produce high volume / low priced wine as distributors generate the bulk of their profits from top-selling volume brands that replenish quickly.[xviii] In the retail and distribution systems, wine is also competing against spirits and liquor for shelf space. Yet wine turnover is notoriously slow (2.4 times/year), compared to the churn generated by liquor (50 times/year) and beer (70 times/year). This is particularly true of premium wines.[xix] With only 350 wineries producing more than 10,000 cases a year (Gallo sold 65 million cases in 2001) the remaining wineries were finding it increasingly difficult to get their product to market.[xx]

Q. You are a small wine grower in California and the quality of wine that you manufacture is below average. How would you brand and market the product in United States?