

Trimester – IV, End-Term Examination: September 2013

Time allowed: 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.

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	3*5 = 15
		Total Marks	50

Section A (The word limit for each answer is 75 words)

Q1. How can store brands help in retailer differentiation? Explain with examples.

Q2. For a new store roll out plan the following category checklists are important: _____.

Q3. How can production of private labels by brand manufacturers help them in managing the category for the retailer?

Q4. Households purchasing diet colas primarily of one particular brand but often changing between 2 lit bottles, six pack of cans and cases of cans. What is the primary, secondary and tertiary product attributes. Pl. explain.

Q5. Assigning roles delivers two primary benefits:

- Great consumer value by managing categories according to their importance to consumers
- Maximal return on invested resources by retailers and suppliers through efficient, intentional allocation of shelf space, marketing dollars and manager time

Explain the above.

Section B (The word limit for each answer is 150 words)

Q1.

Demographic comparison between retailer shoppers and category buyers (Source AC Nielsen Homescan Account Shopper Profiler and Consumer Facts)

Demographic segment	Retailer A	Carbonated beverages
Household size- 1 member	53	70
Household size- 2 members	110	105
Household size-5+member	104	124
Age/presence of kids- any kids under 6	119	92
Age/presence of kids- any kids under 6-12	133	125
Household income <\$ 20,000	52	93
Household income -\$ 20,000-29,000	63	92

Interpret the above table and analyze the data.

Q2.

Buyer conversion comparison (Source: AC Nielsen Homescan account shopper profiler)

	Carbonated beverages	Cola regular	Cola diet	Lemon/lime regular	Lemon/lime diet	All rem. Carb. Beverages regular	All rem. Carb. beverages
Retailer A	83	68	61	54	56	64	60
Retailer B	88	71	66	60	57	70	66
Retailer C	85	70	64	58	58	72	64

Interpret the above table for the three retailers across various sub categories.

Q3.

Sub Dept.	FB- Cooking Medium
Cluster	EUP
Brand Description	(Multiple Items)

		Sales quantity March 2012	Sum of Stock BB-ALLAHABAD-CIVIL LINE
108003637	FORTUNE MUSTARD OIL KACHI GHANI JR 5L	236	72
108003638	FORTUNE MUSTARD OIL KACHI GHANI BT 1L	77	82
108004422	FORTUNE SOYABEAN OIL JR 15L	3	12
108004423	FORTUNE SOYABEAN OIL PP 1L	1836	383
108004425	FORTUNE SOYABEAN OIL JR 5L	197	53
108004511	FORTUNE SUNFLOWER OIL JR 5L	63	-1
108005697	FORTUNE GROUNDNUT OIL PP 1L	42	54
108005698	FORTUNE GROUNDNUT OIL JR 5L	1	1
108042082	FORTUNE MUSTARD OIL KACHI GHANI PP 1L	796	330
300028156	FORTUNE SUNFLOWER OIL PP 1L	337	-7
300262571	FORTUNE SOYABEAN OIL TN 15L	1	0
300670421	FORTUNE PLUS SUNFLOWER REFINED PP 1L	189	113
300670422	FORTUNE PLUS SOYABEAN REFINED PP 1L	190	87
300670969	FORTUNE PLUS SUNFLOWER REFINED JR 5L	15	3
300671036	FORTUNE PLUS SOYABEAN OIL JR 5L	(blank)	0

For Fortune oil interpret the sales quantity and the sum of stock for Allahabad store. Comment on the negative stock quantity of some of the SKU's.

Section C (The word limit for each answer is 100 words)

Fast Food Fables

"Even though the Indian outfit stuck to its core taste that grew on consumers from bland to unique in three years, with no change factored in by the fast-food chain, McDonald's menu still was about 75% different from its global menu."

- Vikram Bakshi, MD, McDonald's Delhi.

"The Indian palate is very definitive – people are extremely finicky and choosy, not too willing to experiment. Food tastes vary from region to region. To capture the market, we had to localize flavors."

- Gautam Advani, Chief of Marketing, Domino's Pizza.

"People didn't know about the menu and as a result, KFC was regarded as a restaurant serving chicken. All this was simply because of the word chicken."

- Pankaj Batra, Kentucky Fried Chicken's Marketing Manager.

INTRODUCTION

In the mid 1990s, a spate of global fast food chains entered India hoping to capture a part of Indian fast food segment. But they found it difficult to establish themselves. Gaining acceptance locally and blending into the Indian culture proved difficult.

In 1997, McDonald's was facing several problems. Most Indians thought McDonald's was expensive, and many didn't like the fact that it served only non-vegetarian meals. The 'bland' taste of its preparations didn't go down well with the Indian palate. In 1998, the company faced intense competition from domestic food chains. Globally, McDonald's success had been built on its commitment to the QSCV (quality, service, cleanliness and value) principle. However, Indian customers viewed the product sold by McDonalds not as burgers per se but as fast service in a clean setting. This notion of value was something that could not remain unique. Other fast food chains began to adopt the same 'fast and clean service' formula, and soon it wasn't a distinguishing feature of McDonald's anymore.

JOINING THE FRAY

While McDonald's was establishing itself Domino's faced tough competition when it entered India, with homegrown players like Niruala's and Pizza Corner and MNCs like Pizza Hut and Wimpy's already having established themselves in the market. The home delivery concept that the company introduced¹ had not yet caught on. Besides, Domino's was in a dilemma about how it should position pizza – as a meal or a snack? *How far should they go in indianising the pizza so that it had mass appeal, and yet did not lose its identity?*

The entry of Kentucky Fried Chicken (KFC) was greeted with protests of farmers, consumers, doctors and environmentalists. The fast food chain, which initially planned to set up 30 restaurants by 1998, was not able to do so, as its revenues did not pick up. In early 1998, KFC began to investigate whole issue more closely. Their findings revealed that KFC was perceived as a restaurant serving only chicken. Indian families wanted more variety, and the impression that KFC had only one item on its menu, didn't enhance its appeal. Moreover, KFC was also thought to be expensive. KFC's failure was also partly attributed to certain drawbacks in the message it sent

¹ Domino's offered its customers free home delivery with a promise to deliver pizza within 30 minutes

out to consumers about its positioning. It wanted to position itself as a family restaurant and not as a teenage hangout. But according to analysts, the 'family restaurant' positioning didn't come clearly in its communication. Consumers saw it as a fast food joint specializing in a chicken recipe.

THE INDIAN COMING

McDonald's began to look at the Indian market sometime in 1990, when its executives started making exploratory trips. By 1994, some international suppliers of McDonald's had visited India to identify local partners. Meetings with agriculturists were conducted with a view to set up a supply chain. Finally, all this fructified when a 50:50 joint venture was entered between McDonald's and Hardcastle Restaurants Pvt. Ltd. owned by Amit Jatia and his family. Similarly, Vikram Bakshi (whose family was in real estate) entered into a JV with McDonald's for Delhi. Both partners signed the JVs in April 1995.

In 1996, Domino's set up base in India by entering into a long-term franchisee agreement with the Bhartia brothers who had businesses in chemicals and fertilizers. The previous year, KFC has chosen to set up its own outlet in Delhi, when it entered the Indian market.

INDIANIZING ALL THE McDONALD'S WAY

To gain acceptance locally, McDonald's had to modify its menu – substituting mutton for beef in the burgers. (something it had never done in any other market), choosing names like McAloo and Maharaja Mac, and introducing variations and dishes that were not available at any McDonald's outlet anywhere in the world.

From the meticulous sourcing of raw materials and the elimination of beef and pork from its 'desi' menus to even segregating the vegetarian and non-vegetarian workers, McDonald's seemed to be extremely orthodox in its approach. India was the first country to use the complete vegetable burger, creating the eggless mayonnaise vegetable burger, so was the case with 'mutton' burgers. To emphasize vegetarianism, McDonald's opened the Delhi outlet on the first day of the Navrathris.² The cooking area for vegetarian products was segregated from the space where meats were handled, and separate equipment and utensils were used for the two types of products, to avoid any possibility of contamination. The use of tamarind (imli) was another attempt to give its product an Indian touch.

In 1998, McDonald's set up team and asked them to collect consumer feedback on the menu they developed. The team came up with its 'Menu Vision' and new products were offered in response to changing consumer tastes. Bakshi pointed out, "Contrary to popular perception, consumers did not want McDonald's to entirely localize its menu. However, they did want a wider product range, more hot food and lower entry level prices for products."

In 1999, McDonald's created a strong niche market for itself when it introduced its popular 'alu tikki' for vegetarians, while in 2000, it came up with a burger with an Indian flavor. Burger lovers with a passion for 'desi' flavors could bite into juicy grilled tandoori chicken McBurgers with a tang of mint chutney. For vegetarians, the company launched a vegetable puff, rich with Indian spices. Jatia said, "Along with the traditional McDonald menu, we are continuously working at introducing local flavors. In fact, part of the strategy for the Indian market is enhancing our vegetarian

² A nine-day Hindu Festival during which, in many parts of the country, people restrict themselves to a strictly vegetarian diet.

menu." However, some analysts felt that with its attempts to localize many of its offerings McDonald's would lose its American image. In their opinion consumers didn't go to McDonald's just to eat local food.

McDonald's tried to position itself as a family restaurant, highlighting its 'Indian menus,' and trying to increase awareness about its positioning through campaigns. Children were targeted and the chain offered several freebies such as Leo toys with its 'Happy Meals.' In 1998, the opening of a South Mumbai outlet was accompanied by children's parade led by the McDonald mascot, Ronald. The parade went all along Marine Drive, with a 40 feet long float depicting the various tourist attractions in Mumbai. At its Noida outlet in Delhi, McDonald's order counters were kept at lower height to make children feel comfortable. Bakshi said: "Adults may come once in a way to our joints but it's mainly children for whom we hold a different appeal and expect them to relish our menus. Children are going to be our core customers in the long run." Rakesh Mohan, Executive Director, Mohan Meakin said: "McDonald's repositioning makes sense as children can be converted into loyal customers for many years."

McDonald's advertising strategy in 1999 was based on creating awareness about its menu spread, especially its vegetarian offerings, and highlighting the fact that the meals were not expensive. The ad line 'Real Value for Mrs. Mani' seemed to have touched just the right chord, as did the 'Maharaja Mac' and the 'Manpasand Meals'. 'Maharaja Mac' and 'Manpasand Meals' were introduced as substitutes of the chain's 'Ecomeals', 'Buddy Meals' and 'Happy Meals'. McDonald's also ran several special promos during major Indian festivals like 'Diwali' and 'Ganesh' Chaturthi, to re-emphasize their 'desi' menu.

By early 2000, McDonald's had a nationwide campaign under way. Earlier, it had restricted its ads to the local media and slides in the movie theaters; apart from the hoardings and press releases most of the advertisements for the meals were found in the restaurants themselves. But in April 2000, the Rs 100 million campaign developed by Mudra made its debut on the satellite channels. McDonald's had evolved a three-tier marketing strategy, planning to push brand in the first stage, value in the second stage and food quality in the third stage. The first television commercial focused on the brand line, 'McDonald's mein hai kuch baat.' Sanjeev Katyal, Marketing Manager, McDonald's explained: "This 65-second commercial seeks to communicate to young families, especially the middle class families that ours is a comfortable place to be in." The second stage of the campaign focused on the 'value-for-money' aspect promoting its Rs 7 soft serve cone.

In late 2000, McDonald's launched a vegetarian pizza, Mcpuff, priced at Rs. 16 and chicken Mcgrill, priced at Rs. 25. The launch was accompanied by commercials that sought to focus on the products per se, unlike the earlier ones, which tried to build up the McDonald's brand. But the tagline, 'McDonald's mein hai kuch baath,' was retained. Earlier campaigns with the same tagline seemed to have struck the right chord with consumers. During 2000, McDonald's increased its adspend to Rs. 180 million. Jaitia said: "With the brand ads already on television, consumer awareness and response to the chain seems to have increased substantially."

HOW OTHERS DID IT?

To establish its presence in the Indian market, Domino's too made efforts to give its products a local flavour. It even offered special products in different regions. In the south Indian segment, the company offered Chettinad Chicken and Mutton Ghongoor, while for North India it offered Butter Chicken and Paneer Makhani. For the eastern region there was fish (tuna) pizza tempered with mustard sauce. The pizza dough was also leavened in a way that suited Indian taste buds. The company offered 12 types of

pizza toppings such as prawn topping and extra-hot topping catering to the consumers in the south. Research conducted by the company revealed that they would do well to if they introduce a dessert after the main meal, and consequently Domino's launched it array of sweet dishes. Advani said: "While doing so, we kept in mind an option for kids – the choco-pie, which is chocolatey and gooey – and even one for the health conscious – the oatmeal dessert."

In August 2000, Domino's launched a TV campaign with a catchline "Hungry, Kya?" Hitherto, Domino's ad strategy had been limited to banners and promotions. The first few ad's in "Hungry, Kya?" series showed physical hunger like a girl chewing at her sweater. Another ad showed a woman who nibbling at her husband's ear as he surfed the Net, until he asks in an irate voice: "Hungry, Kya?" She nods expectantly, and he advises her to order a Domino's pizza. In yet another ad a roadside Romeo whistles appreciatively at an eve-catching young gal. She whips around, grabs him by the collar and asks him in a husky voice: "Hungry, Kya?" and a voice-over ordered a Domino's pizza. There were several advertisements in this series, all ending with the same question.

The launch of the campaign coincided with the company's tie-up with MTNL for the Hunger Helpline. All the customer had to do was dial a toll-free number from any place in India. The service would identify which Domino's outlet was closest to the place where the customer was calling from, and put the call through.

THE KFC WAY

While Domino's did all it could to give its offerings an Indian flavour, KFC initially preferred to retain its international taste. But this had few takers in India. Research revealed that Indian consumers did not relish "chicken with skin," offered by KFC. KFC then made attempts to localize its menu. It offered vegetable and chicken burgers, apart from chicken on the bone, slaw cole salads and bread. Greater variety was added, for both vegetarian and non-vegetarian customers. Meal options were increased to 11, up from the earlier six. In March 1998, KFC launched a new range of 'wrap category' snacks, which included rolls, such as Tortilla rolls.

KFC also tried to revamp its menu. Slaw Cole salads were replaced with green fresh salads. A more fiery burger called Zinger Burger was also introduced. During the Navaratri festival, it offered a new range of nine vegetarian products, which included paneer burgers. Earlier, KFC offered only individual meals. But not any longer. The offerings include six individual meals, two meal combos for two people and one family meal in the non-vegetarian category. For vegetarians, there are three meal combos for individuals and meals for couples and for families.

KFC also made efforts to change its positioning. KFC's promos sought to attract families who looked for not only food, but also some sort of recreation. Batra said, "For kids the priority is to have fun, and the parents are happy if the kids are enjoying themselves." Kid's Fun Corner, a recreational area within the restaurant served the purpose. Games like ball pool and Chucky Express have been introduced for kids. The company also introduced kids meal for Rs 60, which came with a free gift.

IMPROVING PROSPECTS

In 2000, McDonald's announced that over the next three years it would invest Rs 3.5 billion to increase the number of restaurants from 25 restaurants to 80. The company planned to open about 7-8 restaurant strings in suburban Mumbai and Delhi. McDonald's entered into an agreement with Bharat Petroleum Corporation to launch highway restaurants. One such restaurant is to come up on the Delhi-Agra highway.

McDonald's also planned to make its foray into the south Indian market, with its outlet scheduled to open in Bangalore by mid-2001.

With almost all its restaurants located in residential areas, McDonald's future plans included tapping office-goers. While its weekend and dinner business had taken off, it still had to work on its lunch business, which should ideally come from the office-going crowd. Bakshi said: "We intend to launch a special Dial M/Fax M facility for our office-going customers. With this our customers will be able to place their orders in advance and collect their meals without having to wait in queue." In spite of these ambitious plans, McDonald's Indian operations were still making losses.

While McDonald's tied up with Bharat Petroleum, Domino's entered into a similar agreement with Indian Oil Corporation to set-up outlets at IOC's transport fuel retail outlets across the country. By February 2001, Domino's had established the largest retail network in the fast-food segment with 101 outlets across 40 cities. The company had cornered more than 70% share in the Indian pizza market estimated to be valued over Rs 1.2 billion and was growing at a healthy rate of 30 to 35%. By the end of 2001, Domino's planned to add 100-odd outlets. Its turnover was likely to touch Rs 2.5 billion by the same period. The company planned to extend its operations in Sri Lanka, Bangladesh and Nepal. But with competition hotting up in the fast-food segment, would hunger remain the great leveler for Domino's?

MOUNTING LOSSES

In a bid to salvage its Indian venture, KFC had indianized its menu to a great extent. Despite its efforts, however, it soon became clear that it would be difficult for it to become a major player in the Indian fast food arena. Faced with huge losses, it closed all its outlets except the one in Bangalore. Sandeep Kohli, MD, Tricon was hopeful of re-launching KFC through franchisees. He said: "KFC is a strong brand and can be reintroduced in India." With mounting losses, would this mean the end of the road for KFC in India?

This was not the case with KFC alone, all the MNC fast food majors still had to break even their operations in India. With the mounting losses and increasing operational expenses it had to be seen how far they could hold on.

Questions for Discussion:

1. McDonald's followed fundamental 'consistency' rule offering products of uniform size, price and quality in all the markets where it operated. However, in India the company went for an entirely different approach. Explain why McDonald's went for customization in India?
 2. Both McDonalds and Dominos customized their menus to Indian tastes. Explain the difference in their positioning.
 3. KFC also customized but it did not meet with the success as McDonalds and Dominos had. Examine it critically.
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