PGDM (IB) 2013-15

Marketing Management – II

IB- 204

Trimester- II, End-Term Examination, December 2013

Time Allowed : 2.30 Hours | Max marks: 50

Direction: Be specific in your answer | Roll No. -----------

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Section A

(Answer any three questions) (3 X 5 = 15)

Q1. Use of plastic money reduces price sensitivity of the customers.-Explain the significance of price sensitivity in driving competition.

Q2. Are warranties primarily designed to protect consumers against loss or to boost sales of goods and services? Give your views.

Q3.Some stores are selling replacement blades for Gillette's new *Mach3* razor for 70% more than the cost of blades for *Sensor Excel* razor that it has displaced. Should Gillette allow this price gap to continue? Why are consumers paying a premium to get the new blades?

Q4. Pepsico has announced plans to acquire one of its largest independent franchised bottlers for an estimated 300 Crores. Independent bottlers buy syrup from Pepsico, package the beverage in cans and bottles and drive the product to retail store. Why would Pepsico want to buy its bottlers and how will it justify the 300 Crore purchase to its shareholders?

Q5. Apollo Hospitals, one of the largest and most respected hospital chains in Asia has product mix of three products, Apollo Reach, Apollo Clinics and Apollo Health Street. How are they positioned relative to each other? Why is the group following this branding strategy?

Section B

(Answer any two questions) (2 x 10 =20)

Q6. Your major competitor has just cut its price by 20% on all products. How should you react? What information you would like to have before you craft a response to your competitor?

Q7. Consider the following brand extension and evaluate how the brand association fits the new product and whether they will work or not. Why?

- Harley Davidson motorcycles extending into cigarettes
- Dunkin Donuts extending into cereals

Q8. ITC (Indian Tobacco Company) has recently developed a new line of organic food. Discuss the factors you should consider while selecting the channel members. What method will you use to motivate the channel to deliver their best?

Section C

Study the case and answer the following questions. (15 marks)

C1. Why it was essential for Cadbury's to analyse the taste and preferences of the Indian customers before launching *Temptations*. Did they succeed?

C2. What distribution strategy was followed? What was the rationale behind this strategy?

C3. What message was intended to be conveyed to the target audience and how?

Cadbury's effort to seduce the tastebuds of high-end chocolate consumer seems to have delivered sweet results. With the launch of Temptations, Cadbury India has successfully created a premium category for chocolates in the Indian market.

Sample this. Just one year after its launch in September 2001, Temptations has already managed to garner a 3 percent volume market share in the 29,000-tonne or Rs.550-crore chocolate bar market in India. Compare this with Cadbury Perk which, after being around for almost seven years, still manages only about 8 to 9 percent market share.

The contribution from Temptations is still a small part of Cadbury's total volume market share of 69 percent in the chocolate segment. But there is little doubt among advertising and marketing professionals that Temptations has added a new flavor to the market. Little wonder that it was ranked as the sixth most successful brand to be launched in this year's *Business Standard* Brand Derby (September 17, 2002).

So what prompted Cadbury to launch a premium chocolate brand in the Indian market? The high-end Indian chocolate consumer had always bitten into "imported" brands like Lindt's, Ferrero Rocher and so on. But this was largely because there was nothing going in the premium category.

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Says Sanjay Purohit, general manager, marketing, Cadbury India, "The motive behind launching Temptations was to offer consumers an international chocolate eating experience and, therefore, create a super premium category within the entire chocolate confectionery market."

He points out that the trigger was indeed the appeal of foreign chocolates. "A set of consumers were galled at the way Indian people have been greeting guests with an assortment of imported chocolates. So we needed to create an experience that was Indian yet international in taste," says Purohit.

An executive who has worked closely with the brand in the past takes a different stock of the situation. According to him, Temptations came about as a result of dated stocks of foreign chocolate brands in the market. "There was a definite need for a locally-manufactured product. Temptations filled the void between a costly expensive foreign brand such as Ferrero Rocher and a Cadbury Dairy Milk," he says.

And finally, analysts tracking the sector have a different story to tell. According to them, the operating margins of the company were under pressure. It declined from 14.7 percent in the second quarter of 2001-02 to 12 percent in the corresponding period the next fiscal. It was reckoned that the declining margins could be substantially beefed up with a brand like Temptations.

Having identified the reasons for the brand's launch, the next big challenge before the company was to get the product accepted by the Indian market. There were quite a few things that were peculiar about this product as compared to other Indian chocolates.

To begin with, the product could have been also launched with the taste of milk chocolates – but it was deliberately made to taste bitter. This went against the normal trend of chocolates made in India. Normally, the Indian consumer likes chocolates that are milkier and sweeter but not bitter.

Purohit points out, "Temptations is deliberately a blended and a slightly more bitter chocolate to give the consumers an international eating experience."

Then, there are the range of flavors. With the launch of Temptations, the company tried to tempt Indian palates by five flavors that were premium and international in character but practically alien to the Indian chocolate – Black Forest, Roast Almond Coffee, Old Jamaica, Honey Apricot and Mint Crunch. Two more flavors were added to the brand's kitty in August this year – Cashew Delight and Butterscotch Raisin.

The latest flavor to hit the market shortly is Fig and Apricot. The fastest-selling flavors, however, are Roast Almond Coffee, Black Forest and Old Jamaica. Consumers feel that these are the most popular flavors because they have known them as ice-cream flavors.

The Temptations flavors were formulated keeping in mind the target audience: the affluent sections of the society, those who are true chocoholics and those who prefer a more international flavor in their chocolates. "The flavors were chosen to bring in that differentiation. The product has to stand up to that image," says Purohit.

The company further claims that pricing played a critical role in making Temptations a sweet success. In a price-sensitive market like India, Temptations was moderately priced at Rs.30 for a 64-gm bar till two months back – that was when the company raised the price by Rs.5.

The company dismisses the hike as a part of its normal pricing stunts. According to Purohit, "For virtually a year, we held prices on Temptations. The price hike of the product is more in line with inflation than anything else." He maintains that Temptations' success is largely attributed to the fact that it's a super premium chocolate being offered at a price that is affordable. "An international chocolate like this, otherwise, costs nothing less than Rs.100. Temptations, on the other hand, is priced at Rs.35 only," he adds. "The Indian consumer wants a super premium product but he wants it at prices that will give value for money and that's what we have tried to achieve through Temptations."

The company also introduced the first carton pack in chocolates with Temptations. Reason? "Temptations is a smoother and creamier chocolate compared to other chocolate brands and is, therefore, far more susceptible to heat," explains Purohit.

This may be a problem. According to retailers, the packs haven't managed to lure customers. They feel that customers feel cheated and fooled by the Temptations carton pack as they buy it thinking there will be a larger quantity of chocolate inside the pack. But since that's not the case, the big-size appearance of the pack has not hit off well with the consumer.

Having tackled the pricing part of it, distribution strategy fell into place on its own. Initially, the company restricted product availability to select A-class outlets, in an effort to assert its premiumness. The company, at that time, intended to look at a maximum of 10 percent of the entire retail chocolate outlet base. Cadbury addresses a retail base of over 4,50,000 outlets nationally. Thereafter, the distribution gradually penetrated down to select B-class outlets. Analysts put it down to a game of volumes. Says one of the analysts: "From a premium product, you can't expect volumes. Only profit gets impacted in a positive manner. A brand has to be widely available for it to gain substantial volumes."

But Purohit has a different reasoning: "Actually, the brand's premium character and restricted distribution was one of the attributes for its success. The product was so successful that we had no control finally over the distribution. The sheer demand from a wider outlet base propelled us into expanding our distribution beyond just A-class outlets."

Consider this. When the product was launched last year, Mathew Cadbury, managing director of the company, had reportedly said in an interview that Temptations will not expand the distribution reach, but will go only to high-end outlets, particularly the metros and the bigger cities as it is a highly-priced product aimed at a certain market segment. Going by that, Cadbury's prediction has probably gone off-target. But just launching a revolutionary product was not enough by itself. Temptations' launch was accompanied by numerous promotions and online contests.

There was also a well-thought-out communication strategy. With an advertising budget of less than Rs.1.5 crore, the company created a proposition that Temptations is a chocolate that's non-gifting and meant for individual indulgence. Hence, the tag-line: "Too good to share".

The company, then, extended this proposition to simple things such as tie-ups with ATMs and cinema theatres. For instance, 380 ICICI Bank ATMs were picked across the country, where, after a customer completed his transaction, he was greeted by a pop-up screen saying that now was the time to have your Temptations,

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in privacy. "The whole idea was to push the entire message that the product is so delicious that you'd hate to share it," says Purohit. Research revealed that there was an eight to 10 percent increase in Temptations' sales in the outlets around those ATM locations.

Similarly, at various cinema theatres, when the lights went dim before the film began, a slide appeared saying that "this darkness allows you to have your Temptations in privacy and you don't have to share it with the person sitting next to you".

"We needed to take this message across media in a variety of ways - all hitting on one single idea that Temptations is a chocolate that is so delicious that you don't feel like sharing it," says Purohit.

Other than this, at least 300 bars of Temptations were sold in a promotion that the company had with Crossword bookstore in Mumbai, where a person could get a bar of chocolate free on the purchase of a particular amount. Almost 60 upmarket restaurants and 80 to 100 bars were also a part of the product promotions.

And if this was not enough, the company's choice of television channels to advertise on was also niche. It tied up with Star TV to advertise the brand on the entire bouquet of Star channels except for Star Plus. Says Purohit, "We were not looking at mass channels because we had to reinforce the premium image of the brand."

Cadbury India and Star together created an online contest - Tempting Treats, through a destination site - www.temptationsworld.com, from February 2001 till April 2002. To enter the contest, a person needed to go to the site and key in the number that was printed on the inlay card which was in the Temptations pack and click on the Star TV channel logos. A question was then asked pertaining to a programe on the channel. If answered correctly, the contestant won a prize. The bumper prize for this contest was a Ford Ikon.

Currently, the contest that is going on is "Sweet Surprises". This can be entered either via the Internet or the mobile SMS. The prize is a trip for two to Australia.

Small wonder, the company plans to grow the brand at double the market, that is currently growing at eight to 10 percent. Says Purohit, "That's when we will expand the consumer franchise of this brand. This segment needs to grow much faster than the total market."

So, while Cadbury has successfully managed to create a premium segment in the Indian chocolate market, the challenge lies in how long will it be able to tempt its customers.