PGDM, 2015-17

Marketing Management II

DM-206

Trimester – II, End-Term Examination: December 2015

Time allowed: 2 Hrs and 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

Q1. You are asked by your boss to come up with some new ideas for developing new products. Discuss how you would accomplish this task. What are the different sources that you can use for generating new product ideas?

Q2. Your major competitor has just cut prices by 20% on all products. How would you react? What factors will you take into consideration before crafting your response?

Q3. What is the difference between conventional marketing channel system and vertical marketing system (VMS)? Discuss different types of VMS through suitable examples.

Q4. Discuss how effective packaging can help an organization in building brand equity and drive sales.

Q5. Discuss the role of consumer pricing psychology in a firm's pricing decisions.

Section B

Q6. Your company has just developed a new line of organic food items. Discuss the factors you would consider in designing the channel system and selecting channel members. What methods will you use to motivate the channel members? How will you evaluate channel member performance?

Q7. Each communication tool has its own unique characteristics, costs and advantages. Discuss the pros and cons of different promotional tools – advertising, sales promotion, public relations, events and experiences and personal selling.

Q8 (a) Discuss the differences between shopping, specialty and unsought goods and the marketing implications.

Q8 (b) What is product line length? How does a firm can stretch and lengthen a product line. Substantiate your answer with appropriate examples.

Section C

Read "Building the 7E7: NPD at Boeing" and answer the following questions

Q1. Outline the different stages typically used for new product development and explain how Boeing could use this process?

Q2. Given that this is a major investment for Boeing, how do you think they can reduce the risk by involving customers and suppliers in the process? What are the advantages and disadvantages of involving suppliers and customers in the project?

Building the 7E7: NPD at Boeing

Simon Knox, Gary Smith
and Paul Baines

Introduction

The Head of Product Marketing at Boeing USA was sitting at his desk in the early part of 2007 reviewing how life in the aviation industry had changed so dramatically after 9/11. Not only did this one terrorist act shake the very foundations of western society, it also threw the airline industry – both the airlines and the airline manufacturers– into a tail spin when their customers, businesses and individual fliers, took a long hard look at whether or not going on a flight was really necessary. Many passengers voted with their feet and cancelled their trips. Since then, a second shock hit the airline industry in the 2000s when oil prices doubled and environmental issues came to the fore, with air travel in the forefront of an increasingly vociferous public and political debate about environmental damage and sustainability.

Product Development at Boeing

A twenty year veteran of the industry, The Head of Product Marketing had never experienced such a rapid descent into the unknown in the aftermath of Twin Towers; the profit and margin declines in the industry were due to most commercial airlines cancelling or deferring orders, the massive down turn in people flying globally and, worst of all, the lack of confidence about the future across the aviation industry as a whole. In this respect, he knew that the Boeing culture and the 'can do' cross-functional teams across his company were very different to the competition. From the onset of the 2001 down turn, he sensed that there was a quiet confidence among Boeing's senior management team. Earlier in 2001, the company had announced the launch of Boeing's new, concept plane that could go 20% faster than any of its competitors and save up to 3 hours on an ultra long-haul flight. At the time, it was greeted with very great interest and enthusiasm by all major customers and, although regarded as a major step forward for the industry, Boeing considered the likelihood of charging its customers a price premium for any new airline to be a far-off dream. The company would simply have to rely on productivity improvements to meet its stated goal of pushing margins above 10%.

In this new post-9/11 era, what the Boeing team needed to do is adapt their concept plane into an entirely different value proposition if it is to remain a big hit with customers in this more austere environment. Cost management, efficiencies, climate change and the concern for carbon footprint created by any new plane are the key elements in the 'buy' strategy of most international airlines, all of which mean working in very close co-operation with key customers and suppliers. The question he had in mind though was with which ones and how?

The Competitive Landscape: Pre- and Post-9/11
Boeing and Airbus operate in an oligopoly market in a highly capital-intensive industry. Significant changes in the political environment (9/11 terrorist attacks in 2001, Iraq War in 2003), social environment (SARS epidemic in 2002) and economic environment (airline bankruptcies and staff layoffs in 2003) have had a tremendous impact on the airline industry, profoundly affecting customer preferences. Prior to these events, and with increased competition from Airbus at the turn of the century, the pressure on Boeing's sales forecasts and profitability was severely tested. As a result, through a very systematic evaluation of all market segments, Boeing identified the best opportunity for high growth by 'going the extra mile', and so it resolved to build a new plane which could fly further.

Boeing's Sonic Cruiser – The Next Big Improvement
On March 29 2001, Boeing announced a bold initiative to radically change the game in commercial aviation with a concept that captured customer imagination. It was very evident in the customer feedback, derived from extensive market research involving customer 'focus' groups during the development phase and which included likely early adopters, and possibly launch customers who were innovative in their requirements, had lots of good ideas and were looking to create differentiation in their markets. In addition, monthly meetings were held amongst Boeing's Sales Directors to bring together customer data to identify emergent patterns of customer requirements which could then be forwarded onto the new product development teams.

Boeing concluded that the large aircraft market (served by the A380 and the proposed 747X) offered limited potential for orders and instead decided to focus on a mid-sized aircraft, primarily to replace the ageing 767 aircraft. Called the 'Sonic Cruiser' it offered an entirely new concept, using a delta-wing design and a range of other technologies. To differentiate from its predecessors, the new plane would offer a 15-20% increase in speed and increased range, cutting up to 3 hours from ultra-long haul routes. Throughout the concept development stages of the Sonic Cruiser, Boeing had engaged customers with its 'Working Together' programme in order to define its final design characteristics. Whilst the Sonic Cruiser was a serious proposition, it was also being used to stretch the imaginations of all stakeholders; in the same way that 'concept' cars are used in the automobile industry.

Unfortunately, the global effects of 9/11 had changed the airline environment dramatically and forever, and airlines were re-focusing on efficiency and cost management in the struggle to survive. As a result, the Sonic Cruiser was officially 'shelved' in December 2002 and the innovation teams went back to the drawing board.

Innovation Through Co-creation
Based on the evident value created by early customer involvement in the Sonic Cruiser development, Boeing's innovation teams wanted to engage key customers and suppliers much, much earlier in the innovation cycle and with greater formality so that they can again contribute to the development and production of a more efficient prototype aircraft. Customer involvement in the Sonic Cruiser programme indicated that Boeing should pursue the twin-aisle, 200-300 passenger seat segment. What was needed was something which built on the significant technological initiatives pioneered on the Sonic Cruiser project but a renewed focus post-9/11 on the need to provide customers with

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efficiency and economic benefits. Boeing have designated this project the 7E7 (E for efficiency). The idea is that the 7E7 will consume 20% less fuel and with an increased range; it can then connect to more than 450 new city-pairs. Rising fuel prices meant that year-on-year, the 7E7 will also bring bottom line benefits to all airline operators.

At this point, The Head of Product Marketing began to wonder, what process should Boeing follow to develop the 7E7 plane and at what stages should suppliers and customers be involved?