

Trimester – II , End-Term Examination: December 2016

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

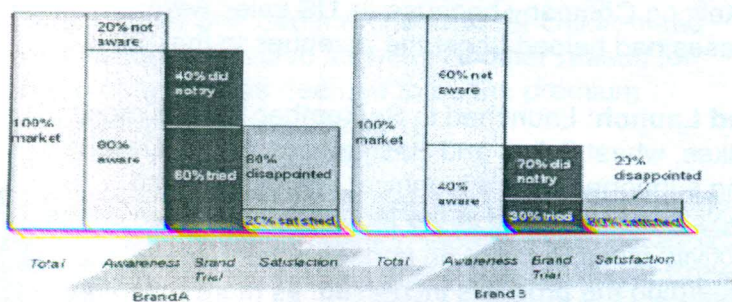
Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

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

- 1) Product performance is the key to brand success versus product aesthetics are the key to brand success. Take one stand for the statement given with an example.
- 2) What are the factors that reduce price sensitivity? A company A sells 100K units of baby toys at \$10 and profit margin of 4% of sales. Assuming a 2% price increase and no change in the volume and the cost. What is the impact on company A's profit?
- 3) Apple I phone, Dove soap, Uber car service. Mention the type of distribution/service followed by each of the above brands and why?
- 4) Figure below is an example of good feedback measurement.

Current Consumer States for Two Brands



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Which of the two brands above has got a communications programme which satisfies more consumers and why?

5) In context of a closed end questionnaire survey pl. define and give examples for each of the following: dichotomous, multiple choice, Likert scale, semantic differential, rating scale.

Section B

1)

	Market share			Mind share			Heart share		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Competitor A	50%	47%	44%	60%	58%	54%	45%	42%	39%
Competitor B	30%	34%	37%	30%	31%	35%	44%	47%	53%
Competitor C	20%	19%	19%	10%	11%	11%	11%	11%	8%

Explain what you make of market share, mind share, heart share. What is the relationship between the three based on the table given above? What generalization you can make from the above table?

2) Consider five products of daily use (milk, petrol, sugar, vegetables, and stationery). As a consumer what is your expectation from the concerned distribution channel? You could base your answer on waiting time, distance to travel, convenient hours, customer service, goods return policy etc.

3) Consider the demographic and the behavioural segmentation in context of demonetization in India. What is the possible effect on segmentation for the companies? Give one example each to illustrate that (a) Segmentation would change (b) Segmentation would not change

Section C

Our only rivals are traditional Indian foods like idlis and vadas.":- Denis Avronsart, Managing Director, Kellogg India.

In April 1995, Kellogg India Ltd. (Kellogg) received unsettling reports of a gradual drop in sales from its distributors in Mumbai. There was a 25% decline in countrywide sales since March 1995, the month Kellogg products had been made available nationally.

Kellogg was the wholly-owned Indian subsidiary of the Kellogg Company based in Battle Creek, Michigan. Kellogg Company was the world's leading producer of cereals and convenience foods, including cookies, crackers, cereal bars, frozen waffles, meat alternatives, piecrusts, and ice cream cones. Founded in 1906, Kellogg Company had manufacturing facilities in 19 countries and marketed its products in more than 160 countries. The company's turnover in 1999-00 was \$ 7 billion. Kellogg Company had set up its 30th manufacturing facility in India, with a total investment of \$ 30 million. The Indian market held great significance for the Kellogg Company because its US sales were stagnating and only regular price increases had helped boost the revenues in the 1990s.

Kellogg's Indian Experience: A Failed Launch: Launched in September 1994, Kellogg's initial offerings in India included cornflakes, wheat flakes and Basmati rice flakes. Despite offering good quality products and being supported by the technical, managerial and financial resources of its parent, Kellogg's products failed in the Indian market. Even a high-profile launch backed by hectic media activity failed to make an impact in the marketplace. Meanwhile, negative media coverage regarding the products increased, as more and more consumers were reportedly rejecting the taste. There were complaints that the products

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were not available in many cities. According to analysts, out of every 100 packets sold, only two were being bought by regular customers; with the rest 98 being first-time buyers. Converting these experimenters into regular buyers had become a major problem for the company. By September, 1995, sales had virtually stagnated. Marketing experts pointed out various mistakes that Kellogg had committed and it was being increasingly felt that the company would find it extremely difficult to sustain itself in the Indian market.

The Mistakes: Kellogg realized that it was going to be tough to get the Indian consumers to accept its products. Kellogg banked heavily on the quality of its crispy flakes. But pouring hot milk on the flakes made them soggy. Indians always boiled their milk unlike in the West and consumed it warm or lukewarm. They also liked to add sugar to their milk. or lukewarm. They also liked to add sugar to their milk. When Kellogg flakes were put in hot milk, they became soggy and did not taste good. If one tried having it with cold milk, it was not sweet enough because the sugar did not dissolve easily in cold milk. The rice and wheat versions did not do well. In fact, some consumers even referred to the rice flakes as rice corn flakes. In early 1996, defending the company's products, Managing Director Avronsart said, "True, some people will not like the way it tastes in hot milk. And not all consumers will want to have it with cold milk. But over a period of time, we expect consumer habits to change. Kellogg is a past master at the art, having fought - and won - against croissant-and-coffee in France, biscuits in Italy and noodles in Korea." A typical, average middle-class Indian family did not have breakfast on a regular basis like their Western counterparts. Those who did have breakfast, consumed milk, biscuits, bread, butter, jam or local food preparations like idlis, parathas etc. According to analysts, a major reason for Kellogg's failure was the fact that the taste of its products did not suit Indian breakfast habits. Kellogg sources were however quick to assert that the company was not trying to change these habits; the idea was only to launch its products on the health platform and make consumers see the benefit of this healthier alternative.

Avronsart remarked, "Kellogg India is not here to change breakfast eating habits. What the company proposes is to offer consumers around the world a healthy, nutritious, convenient and easy-to-prepare alternative in the breakfast eating habit. It was not just a question of providing a better alternative to traditional breakfast eating habits but also developing a taste for grain based foods in the morning."

Another mistake Kellogg committed was on the positioning front. The company's advertisements and promotions initially focussed only on the health aspects of the product. In doing this, Kellogg had moved away from its successful 'fun-and-taste' positioning adopted in the US. Analysts commented that this positioning had given the brand a 'health product' image, instead of the fun/health plank that the product stood on in other markets. (In the US for instance, Kellogg offered toys and other branded merchandise for children and had a Kellogg's fan club as well.) Another reason for the low demand was deemed to be the premium pricing adopted by the company.

At an average cost of Rs 21 per 100 gm, Kellogg products were clearly priced way above the product of its main competitor, Mohun's Cornflakes (Rs 16.50 for 100 gm). Vinay Mohan, **Managing Director, Mohan Rocky Springwater & Breweries, the makers of Mohan's** cornflakes said, "Kellogg is able to cater only to the A-Class towns or the more affluent consumers whereas Mohun's caters to the mass market." Another small-time brand,

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Champion was selling at prices almost half of that of Kellogg. This gave the brand a premium image, making it seem unattainable for the average Indian consumer. According to one analyst, "When Kellogg tried a dollar-to-rupee pricing for its products, the company lost out on getting to the mass consumer." Even the customers at the higher end of the market failed to perceive any extra benefits in Kellogg's products. A Business Today report said that like other MNCs, Kellogg had fallen into a price trap, by assuming that there was a substantial latent niche market in India for premium products. In most Third World countries pricing is believed to play a dominant role in the demand for any product. But Kellogg did not share this view. Avronsart said, "Research demonstrates that to be well accepted by consumers even the most nutritious product must taste good. Most consumers view quality as they view taste, but with a very high standard. We approach pricing on a case-to-case basis, always consistent with the total value delivered by each product." He also said, "Local brands are selling only on the price platform. We believe that we're demanding the right price for the value we offer. If the consumer wants quality, we believe he can afford the price." Thus, it was not surprising that the company went ahead with its plans of increasing the price of its products by an average of 28% during 1995-98. Before the product was made available nationally in March 1995, the demand from Mumbai had been very encouraging. Within a year of its launch in Mumbai, Kellogg had acquired a 53% market share. Following this, the company accelerated its national expansion plans and launched the product in 60 cities in a 15-month period. However, Kellogg was surprised to see the overall demand tapering off considerably. A Mumbai based Kellogg distributor explained, "Why should somebody sitting in Delhi be deprived of the product? So there was considerable movement from Mumbai to other parts of the country." As the product was officially launched countrywide, the company realized that the tremendous response from the Mumbai market was nothing but the 'disguised demand' from other places being routed through Mumbai. Kellogg had also decided to focus only on the premium and middle-level retail stores. This was because the company believed that it could not maintain uniform quality of service if it offered its products at a larger number of shops. What Kellogg seemed to have overlooked was the fact that this decision put large sections of the Indian population out of its reach.

Disappointed with the poor performance, Kellogg decided to launch two of its highly successful brands - Chocos (September 1996) and Frosties (April 1997) in India. The company hoped to repeat the global success of these brands in the Indian market. Chocos were wheat scoops coated with chocolate, while Frosties had sugar frosting on individual flakes. The success of these variants took even Kellogg by surprise and sales picked up significantly. (It was even reported that Indian consumers were consuming the products as snacks.) This was followed by the launch of Chocos Breakfast Cereal Biscuits.

The success of Chocos and Frosties also led to Kellogg's decision to focus on totally indianising its flavors in the future. This resulted in the launch of the Mazza series in August 1998 - a crunchy, almond-shaped corn breakfast cereal in three local flavors - 'Mango Elaichi,' 'Coconut Kesar' and 'Rose.' Developed after a one-year extensive research to study consumer patterns in India, Mazaa was positioned as a tasty, nutritional breakfast cereal for families. Kellogg was careful not to repeat its earlier mistakes.

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It did not position Mazza in the premium segment. The glossy cardboard packaging was replaced by pouches, which helped in bringing down the price substantially. The decision to reduce prices seemed to be a step in the right direction. However, analysts remained skeptical about the success of the product in the Indian market. They pointed out that Kellogg did not have retail packs of different sizes to cater to the needs of different consumer groups. To counter this criticism, the company introduced packs of suitable sizes to suit Indian consumption patterns and purchasing power. Kellogg introduced the 500gm family pack, which brought down the price per kg by 20%. Also, Mazza was introduced in 60gm pouches, priced at Rs 9.50. Kellogg's advertising had not been very impressive in the initial years. Apart from 'Jago jaise bhi, lo Kellogg's hi,' the brand had no long-term baseline lines. Later, Kellogg attempted to indianise its campaigns instead of simply copying its international promotions. The rooster that was associated with the Kellogg brand the world over was missing from its advertisements in India. One of its campaigns depicted a cross section of individuals ranging from a yoga instructor to a kathakali dancer attributing their morning energy and fitness to Kellogg. The advertisement suggested that cornflakes could be taken with curds, honey, and banana. In April 1997, Kellogg launched 'The Kellogg Breakfast Week,' a community-oriented initiative to generate awareness about the importance of breakfast. The program focussed on prevention of anemia and conducted a series of nutrition workshops activities for both individuals and families. The program was launched in Chennai, Delhi and Mumbai. The company tied up with the Indian Dietetic Association (IDA) to launch a nation-wide public-service initiative to raise awareness about iron deficiency problems. Nutritionists and dieticians from the country participated in a day-long symposium in Calcutta to deliberate on the causes and impact of anemia caused by iron deficiency. This program was in line with the company's global marketing strategy, which included nutrition promotion initiatives such as symposiums, educative programs and sponsorship of research. Emphasizing Kellogg's commitment to nutrition education, Avronsart remarked, "Product modification, particularly the addition of iron fortification in breakfast cereals is how Kellogg responds to the nutritional needs of the consumers. In this spirit, Kellogg India is taking a major step to improve the nutritional status of consumers in the country, the specific opportunity being iron fortification for which we have undertaken major initiatives to promote the awareness of the importance of iron in the diet."

Kellogg also increased its focus on promotions that sought to induce people to try their product and targeted schools across the country for this. By mid-1995, the company had covered 60 schools in the metros. In March 1996, the company offered specially designed 50 gm packs free to shoppers at select retail stores in Delhi. This was followed by a house-to-house sampling exercise offering one-serving sachets to housewives in the city. The company also offered free pencil-boxes, water bottles, and lunch boxes with every pack. Plastic dispensers offering the product at discounted rates were also put up in petrol pumps, super markets, airports etc.

Kellogg identified distribution as another major area to address in order to increase its penetration in the market. In 1995, Kellogg had 30,000 outlets, which was increased to around 40,000 outlets by 1998. Avronsart said, "We have increased our reach only slightly, but we are now enlarging our coverage." Considering that it had just one plant in Taloja in Maharashtra, the company was considering plans to set up more manufacturing units.

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Kellogg's also began working towards a better positioning plank for its products. The company's research showed that the average Indian consumer did not give much importance to the level of iron and vitamin intake, and looked at the quantity, rather than the quality, of the food consumed. Avronsart commented, "The Kellogg mandate is to develop awareness about nutrition. There is a lot of confusion between nourishment and nutrition. That is something that we have to handle." Kellogg thus worked towards changing the positioning of Chocos and Frosties - which were not positioned on the health platform but, instead, were projected as 'fun-filled' brands. Kellogg then launched the Chocos biscuits, claiming that cereals being a 'narrow category,' the foray into biscuits would create wider awareness for the Kellogg brand. Biscuits being a mass market product requiring an intensive distribution network, Kellogg's decision to venture into this competitive and crowded market with stalwarts like Britannia, Parle and Bakeman, was seen as a bold move not only in India, but also globally. Avronsart said, "We are ready to develop any food based on grain and nutrition that will satisfy consumer needs."

The Results

In 1995, Kellogg had a 53% share of the Rs 150 million breakfast cereal market, which had been growing at 4-5% per annum till then. By 2000, the market size was Rs 600 million, and Kellogg's share had increased to 65%. Analysts claimed that Kellogg's entry was responsible for this growth. The company's improved prospects were clearly attributed to the shift in positioning, increased consumer promotions and an enhanced media budget. The effort to develop products specifically for the Indian market helped Kellogg make significant inroads into the Indian market. However, Kellogg continued to have the image of a premium brand and its consumption was limited to a few well-off sections of the Indian market. The company had to face the fact that it would be really very difficult to change the eating habits of Indians. In 2000, Kellogg launched many new brands including Crispix Banana, Crispix Chocos, Froot Loops, Cocoa Frosties, Honey Crunch, All Bran and All Raisin. Kellogg also launched 'Krispies Treat,' an instant snack targeted at children. Priced on the lower side at Rs 3 and Rs 5, the product was positioned to compete against the products in the 'impulse snacks' category. According to some analysts, the introduction of new cereals and the launch of biscuits and snacks could be attributed to the fact that the company had been forced to look at alternate product categories to make up for the below-expectation performance of the breakfast cereal brands. Kellogg sources however revealed that the company was in India with long-term plans and was not focusing on profits in the initial stages. In Mexico the company had to wait for two decades and in France nine years, before it could significantly influence local palates. With just one rival in the organized sector (Mohan Meakins) and its changed tactics in place, what remained to be seen was how long it would take Kellogg to crack the Indian market.

Q1. Did Kellogg fall into the trap of not having products at the price points Indian consumers wanted? Why a MNC like Kellogg think that it would be at least two decades before they are able to change the eating habits of Indian consumers?