

PGDM 18-20
Marketing Management -II
DM-207

Trimester – II End-Term Examination: December 2018

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 Questions	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	20
		Total Marks	50

TURN OVER

Section A

(Word Limit for each question: 600 words)

Q1. Explain with examples the different levels of Product in the Customer Value Hierarchy.

Design and depict, with the help of a diagram, a new potential product proceeding through all stages to the highest level of this hierarchy in the Cosmetics Industry. Clearly outline the target segment it would cater to, its positioning, and what need it would serve.

Q2 "Prices should reflect the value consumers are willing to pay *versus* Prices should reflect only the cost of making a product or delivering a service". What is your position on this? Give reasons.

Explain the various methods of pricing covered in your course giving concrete examples of Industries where each is used

Q3. *Pratham*, a large NGO in the education sector, comprises many local chapters. Each chapter develops its own marketing strategy and communication plan. As Marketing Director of this national organization, develop your Integrated Marketing Communication plan, clearly outlining its separate elements

Q4. What are the considerations that go into designing distribution channels? What different functions do different channel members serve? Give examples of rival Indian companies marketing a) detergents b) laptops c) automobiles employing distribution channels different from each other and your understanding of the reasons for their choices.

Q5. In your first assignment as Branch Manager in a new company you have been given charge of a sales force of 10 salespeople. The products that your company sells includes a range as diverse as lights and fans sold through retailers to households, pumps and generators directly to industry, and consumer products such as toothpastes and hair oil through wholesalers and retailers. How would you organize your sales force and what different functions of selling would each sales group perform?

Please answer questions below the case. All questions are of equal marks.

3. Briggs & Stratton Corporation*

Briggs & Stratton is the world's largest producer of air-cooled gasoline engines for outdoor power equipment, mainly for lawn mowers. The company designs, manufactures, markets, and services these products—which are sold as components to original equipment manufacturers (OEMs) in 85 countries.

Steve Briggs and Harry Stratton started the company in 1909 to produce a six-cylinder, two-cycle engine similar to one Briggs had developed a few years earlier as an engineering student in college. The engine turned out to be too expensive to mass produce, so the partners turned their attention to designing and producing electrical parts for automobiles, including switches, starters, and regulators.

Later B&S acquired the patent for the Motor Wheel—a gasoline engine designed to fit on a bicycle. It was a market success and ultimately proved to be a good way to power several other types of vehicles. In some parts of Asia it was even used on rickshas.

To build on the success of the Motor Wheel, B&S looked for new markets for engines. Its search led to the development of a stationary utility engine for use on such products as garden cultivators and reel-type mowers. Before utility companies brought electricity to rural parts of the U.S., these B&S engines even powered refrigerators, milking machines, and elevators.

After World War II, the booming U.S. economy, the shift of population to the suburbs, and the growth of leisure time prompted new consumer interest in lawn and garden equipment. B&S saw this growth opportunity and shifted its focus to producing motors for the lawn mower manufacturers who served that market. But B&S didn't just try to push engines it was already producing.

At that time, most power mowers used two-cycle engines; their light weight made mowers easy to push.

However, two-cycles weren't reliable and needed a mix of gas and oil, which was inconvenient for consumers. Four-cycle engines like the ones B&S produced were very reliable, but they were made from cast iron and very heavy. Marketing people at B&S realized that consumers wanted *both* reliability and light weight, so the firm designed a new lawn mower engine from aluminum alloy.

Over time, the Briggs & Stratton name has become almost synonymous with the lawn mower. Top producers such as Toro, Snapper, and John Deere proudly proclaim in their ads that their mowers are powered by a Briggs & Stratton engine. In fact, Briggs & Stratton is often the most prominent brand name on the mower, even though the engine is just a component. The Briggs & Stratton name helps sell the mowers because it means quality, reliability, and performance to consumers. Because of this reputation—and consumer demand—many retailers won't sell a mower unless it uses a Briggs & Stratton motor.

Early in the 1980s B&S faced a serious competitive threat. A shift in international exchange rates made Japanese products less expensive in the U.S. and other parts of the world. This gave Japanese motorcycle producers a pricing edge to expand into the market for small engines. Because B&S was the leading producer of small engines, any competitive inroads would be at its expense.

Marketers at B&S realized that to keep competitors from carving up its market they would need to fine-tune the firm's offerings for specific market segments. A starting point for that effort was to develop new product lines—actually, whole marketing strategies—for each type of need rather than just trying to get economies of scale by serving bigger, but heterogeneous, product-markets. B&S invested \$250 million to develop carefully targeted new products, build new plants, and develop new processes to improve quality and reduce costs.

B&S' new-product development effort for specific segments cut short the Japanese invasion and increased customer satisfaction and brand loyalty. That put B&S in a better position to deal with another change—a big shift in the channel of distribution for lawn mowers. In the past, most consumers bought lawn mowers from in-

dependent lawn and garden equipment dealers. However, over time mass-merchandisers have taken away almost all of that business. In fact, five of the largest retail chains now account for half of all the lawn mowers sold in the U.S.—and about 80 percent of B&S' lawn and garden equipment sales are through mass-merchandisers.

This concentration of purchasing power has given the big retail chains new clout in the channel of distribution. Retail buyers pressure lawn mower producers to keep costs and prices low; and the producers in turn expect B&S to keep its prices in check. While this has probably reduced the price premium that the B&S brand commands, it hasn't eliminated it. Retailers know that consumers want lawn mowers with B&S engines. So brand loyalty by final consumers gives B&S an advantage in negotiations with its producer-customers. Even so, the squeeze on profit margins throughout the channel—and intense competition—means that B&S must continue to find better ways to meet customers' needs if it is to maximize market share and earn attractive profits. And for B&S, developing innovative new products has long been the key to meeting needs better. Its skill in this arena is illustrated by its success in developing a 4-horsepower motor to fill a gap in its product line.

In 1993 B&S had four main lines of lawn mower engines. B&S' Classic 3.5-horsepower (HP) engine was at the low end of the price range and it was found on mowers priced at about \$99. As the name implies, this reliable model has been popular for many years. If a customer wanted a bit more power and a mower that took less pulling effort to start, B&S' 3.75-HP Sprint engine was available on mowers that sell for about \$119. For consumers who wanted an easy-starting engine that quietly conquered even the thickest grass, the Quantum 5.0-HP Plus line was the choice—on a mower that cost from \$160 up to \$500. Finally, B&S offered a top-of-the-line Diamond Plus model with about 6.0 HP, unique European styling, and all the bells and whistles. A customer who had to ask how much it cost probably couldn't afford it.

In spite of multiple models in each of these lines, B&S did not have a good 4-HP mower engine. Yet there was a clear market for one. B&S' main competitor, Tecumseh, proved that. Its 4-HP engine was a market leader. And B&S needed to develop a new engine if it wanted to compete for the segment of customers who wanted a 4-HP engine. To take customers away from Tecumseh, B&S marketers knew they needed to

*This case and accompanying video script were prepared by Dr. George Prough, the University of Akron, with assistance from Lori Arguelles, Communications Director, GSUSA, and Mary Kintz, Director of Member Services, Western Reserve Girl Scouts Council.

develop a cost-effective engine that was better than the Tecumseh model on all operating and performance criteria. Research also showed that styling was becoming an important purchase criterion for many customers—perhaps because that was the one difference in engines that consumers could see while shopping.

Although they had a clear idea of what the market wanted, marketing managers at B&S faced a real challenge. Creating a superior new engine wouldn't do much good if lawn mower producers and retailers didn't know about it, and the time and place to introduce an important new lawn and garden product was at a big, national trade show that was less than a year away. If they missed that date, they'd effectively lose a year. So getting the new product to market fast—without making costly mistakes—was critical.

To speed up development and also reduce costs, B&S designers created a contemporary, aerodynamic look with a computer-aided design (CAD) system; the tooling of the parts—direct from the computer drawings—was very fast. Further, B&S engineers used standard parts from other B&S engines when they could. This helped to control costs, reduce development time, cut inventory requirements, and later would make after-the-sale service easier and faster. As a result of efforts like these, the new product went from the concept stage to production in about nine months—in time for the trade show deadline.

While the new product team was developing the engine, B&S marketing people had other work to do. To emphasize the new engine's distinct identity, they used an individual brand name, Quattro, which means four in Spanish. They also developed promotional materials to use at the trade show, and started work on ads and other cooperative promotional materials so they could be ready for producers and retailers to use when the Quattro started to appear on lawn mowers in retail stores.

The B&S salespeople also started to call on their OEM customers. Besides explaining the advantages of the new Quattro motor and answering questions, they provided hundreds of sample motors. That made it possible for the producers to get a head start in creating new types of new mowers to show their retailer-customers. And since the retailers have a big influence on the producer's purchase decisions, B&S salespeople promoted the features of the new motor—and the appeal of the Briggs & Stratton name—to retail

The salespeople also explained the benefits of the B&S cooperative advertising arrangements and how they work. B&S provides cooperative advertising allowances and materials to all of its OEM customers and to the retailers who sell their products.

As a result of all this front-end planning, the Quattro got off to a very successful start. In fact, customer reaction to the new engine's sleek appearance, power, and reliability was so strong that demand was double what B&S had forecast. By mid-1995, the company was hard-pressed to keep up with demand.

That's one reason that during the first year B&S decided to focus the marketing effort for the Quattro primarily on the U.S. market. It didn't make sense to spend money promoting the product in foreign markets if supply would be limited. However, exports account for 21 percent of all B&S engine and parts sales, and the Quattro isn't likely to be an exception to that pattern. When the time comes for the Quattro's international rollout some changes in the domestic marketing strategies may be required. For example, while lawn and garden equipment is important in nations with developed economies, in less-developed countries the Quattro is likely to be used for other types of applications—in agricultural, marine, and other commercial markets.

1. Are there any disadvantages to Briggs & Stratton's decision to hold off introducing its new Quattro engine in international markets? Explain your thinking.
2. What are the marketing implications for Briggs & Stratton of the fact that the U.S. market for lawn mowers is in the market maturity stage?
3. Given that engines are such an important component in manufacturing lawn mowers, would it make sense for Briggs & Stratton to develop and market its own line of mowers? Explain your thinking.
4. Given B&S' ability to compete well with Japanese motorcycle producers when they tried to take market share away from Briggs & Stratton's small engines, would it make sense for Briggs & Stratton to produce a small motorcycle—or perhaps a motorscooter—to market in India and other countries where incomes are low but demand for personal transportation is increasing? Explain your thinking.