

PGDM (IB), 2018-20
Marketing Management-II
IB-203

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 (Short Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	1*20 = 20
		Total Marks	50

Section A

Attempt any three questions. Each question carries ten marks.

Q1. A manufacturer is contemplating introducing a product that is inferior to its competition in its performance, design, and functionality. However, the manufacturer believes that "good brand marketing" can overcome these shortfalls. Why is this thinking incorrect?

Q2. What are the different types of distribution channels you are aware of? Discuss the pros and cons of each channel? What are the criteria you can use to evaluate different channel alternatives?

Q3. When Sony introduced the world's first high-definition television to the Japanese market in 1990, it was priced at \$43,000. The price dropped steadily through the years — a 28-inch Sony HDTV cost just over \$6,000 in 1993, but a 40-inch Sony HDTV cost only \$450 in 2014. What pricing strategy did Sony use here? When this type of strategy would be more appropriate? What are challenges associated with this type of pricing strategy?

Q4. When the Indian market is price value conscious, companies cannot really go and persuade the customers to pay more for better service. Do you agree? Give your rationale behind the quality insensitivity of Indian customers.

Q5. 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.

Section B (20 marks)

Case study (compulsory)

WAL-MART: PIONEER IN SUPPLY CHAIN MANAGEMENT³²

Wal-Mart dominates the retailing industry in terms of its sales revenue, its customer base, and its ability to drive down costs and deliver good value to its customers.

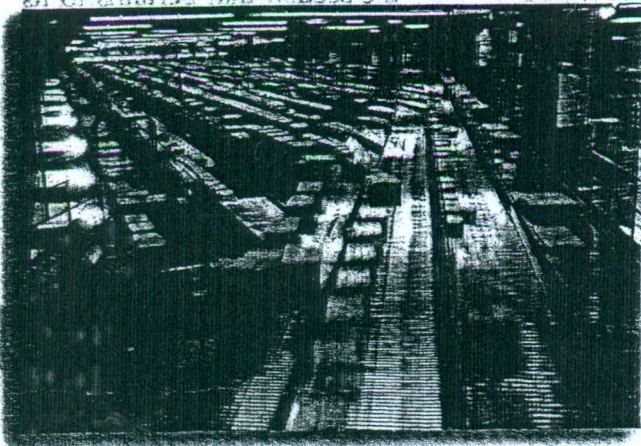
After all, the world's largest corporation takes pride in having received numerous accolades for its ability to continuously improve efficiency in the supply chain while meeting its corporate mandate of offering customers Everyday Low Prices.

Tight inventory management is legendary at Wal-Mart through its just-in-time techniques, some of which are homegrown, that allow the firm to boast one of the best supply chains in the world. Wal-Mart has not only transformed its own supply chain but influenced how vendors throughout the world operate. For example, retailers everywhere are now placing much more emphasis on vendors' on-time and accurate deliveries. To meet these requirements, vendors have had to upgrade their inventory management and delivery systems to ensure they are doing business the way their large retailer customers prefer.³³ Recognized for its ability to obtain merchandise from global sources, Wal-Mart also pioneered the strategy of achieving high levels of growth and profitability through its precision control of manufacturing, inventory, and distribution. Although the company is not unique in this regard, it is by far the most successful and most influential corporation of its kind and has put into practice various innovative techniques.

And when Wal-Mart does something, it does it on a massive scale. Wal-Mart's computer system, for example, is second only to that of the Pentagon in storage capacity. Its information systems analyze more than 10 million daily transactions from point-of-sale data and distribute their analysis in real time both internally to its managers and externally via a satellite network to Wal-Mart's many suppliers, who use the information for their production planning and order shipment.

Much of the popularity of supply chain management has been attributed to the success of Wal-Mart's partnership with Procter & Gamble. During the 1980s, the two collaborated in building a software system that linked P&G to Wal-Mart's distribution centers, taking advantage of advances in the world's telecommunications infrastructure. When a Wal-Mart store sold a particular P&G item, the information flowed directly to P&G's planning and control systems. When the inventory level of P&G's products at Wal-Mart's distribution center got to the "reorder point," the system automatically alerted P&G to ship more products. This information helped P&G plan its production. Wal-Mart was also able to track when a P&G shipment arrived at one of its distribution warehouses, which enabled it to coordinate its own outbound shipments to stores. Both Wal-Mart and P&G realized savings from the better inventory management and order processing, savings that in turn were passed on to Wal-Mart's consumers through its low everyday prices.

Wal-Mart has developed a sustainable competitive advantage through efficient supply chain management.



Wal-Mart speeds merchandise from its distribution centers to stores.

Wal-Mart's Innovations

Wal-Mart has pioneered many innovations in the purchase and distribution processes of the products it sells. As many as 20 years ago, Wal-Mart drove the adoption of UPC bar codes throughout the retail industry; it also pioneered the use of electronic data interchange (EDI) for computerized ordering from vendors. Its hub-and-spoke distribution network ensures goods are brought to distribution centers around the country and then directed outward to thousands of stores, each of which is within a day's travel. Through the use of cross-docking, one of its best-known innovations, goods get trucked to a distribution center from suppliers and then are immediately transferred to trucks bound for stores,

without ever being placed into storage.³⁴ In addition, Wal-Mart uses a dedicated fleet of trucks to ship goods from warehouses to stores in less than 48 hours, as well as to replenish store inventories about twice a week. Thus, with flow-through logistics, the company speeds the movement of goods from its distribution centers to its retail stores around the world.

Today the retail giant continues to push the supply chain toward greater and greater efficiency. It has well-established systems for the continuous replenishment of merchandise, vendor-managed inventory, cross-docking, strategic collaborations with producers in the manufacturing planning cycle, order and delivery, and direct shipments from manufacturers. It also strives to apply new technologies. For example, it has gotten some of its suppliers to adopt RFID technology and is using RFID in some of its own distribution centers.³⁵ Its continuous use of innovations thus leads to lower inventory and operating costs, which enables Wal-Mart to keep its costs in check.

Wal-Mart furthermore has made an art of managing the flow of products and information among its suppliers, distribution centers, and individual stores through technology, the application of which allows for precision control of logistics and inventory. It is this type of innovation that has put Wal-Mart at the top of the retailing game. Not all organizations can pull this approach off so well. Wal-Mart is a unique case in which a single, very powerful firm took primary responsibility for improving performance across its own supply chain. By developing a superior supply chain management system, it has reaped the rewards of higher levels of customer service and satisfaction, lower production and transportation costs, and more productive use of its retail store space. Fundamentally, it boils down to Wal-Mart's ability to link together suppliers, distribution centers, retail outlets, and, ultimately, customers, regardless of their location. Although operational innovation isn't the only ingredient in Wal-Mart's success, it has been a crucial building block for its strong competitive position.

Questions

1. How does an individual firm like Wal-Mart manage a supply chain, particularly considering that supply chains include multiple firms with potentially conflicting objectives? Describe some of the conflicts that could arise in such a circumstance.
2. What are some of the ways that Wal-Mart's supply chain management system has provided it the benefits of higher levels of product availability and lower merchandise acquisition and transportation costs? Provide specific examples of each benefit.