PGDM (RM), 2018-20
Marketing Management-II
RM-201

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 (Long Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 marks	2*10 = 20
		Total Marks	**50**

Section A

Q1. Take the example of HUL portfolio to explain the product width, depth, length and consistency. Also use the HUL example to explain the warranties and guarantees of their products. (8+2)

Q2. (a)Use the example of I phone and Maruti Suzuki to illustrate the concept of market skimming pricing and cannibalization strategy respectively. (5)

(b) Variable cost per unit = Rs15, Fixed cost = Rs 3,50,000, Expected unit sales = 55000, Markup desired by the manufacturer = 25%. Calculate the unit cost and the markup price. (2x2.5)

Q3. Between the AIDA model and the Innovation adoption model (AIETA) for consumer adoption; which one is better and why? Illustrate with an example. (10)

Q4. Patanjali's standalone consumer goods revenue has declined to Rs 8148 crores in the year ended March 2018(22nd Nov 2018, ET). Analysts have attributed the above to three important factors. Explain the three with significant focus on distribution. (10)

Q5. (a)The short term and long term benefits of social media ROI can be broadly put in 4 categories. Explain them.

(b) The following are examples of great social media campaigns in 2017 : (i) V-Bajaj (ii) Odds by Adidas (iii) Samsonite's push the limit campaign (iv) Snickers hungry bar campaign (v) # Strongertogether Vodafone

For any two of the above detail what was great about the campaign?

Section B

Case study: Zara

Zara, the Spanish-based company, is Europe's leading apparel retailer, providing consumers with current, high-fashion styles at reasonable prices. With more than $14.5 billion in sales and more than 2,000 stores, the company has succeeded by breaking virtually every traditional rule in the retailing industry. The first Zara store opened in 1975. By the 1980s, founder Amancio Ortega was working with computer programmers on a new distribution model to reduce the time from design to distribution to just two weeks-a groundbreaking difference from the industry average of six to nine months. As a result, the company now makes between 10,000 and 20,000 different items a year, approximately triple the number made by Gap or H&M. With this revolutionary step, Zara was able to introduce "fast fashion" at affordable prices. Zara's business model is keenly focused on four strategic elements:

Design and Production. Zara employs hundreds of designers at its headquarters in Spain. Thus, new styles are constantly being created and put into production while others are tweaked with various colors or patterns.

The firm enforces the speed at which it puts these designs into production by locating half its production facilities nearby in Spain, Portugal, and Morocco. It produces only a small quantity of each collection and is willing to experience occasional shortages to preserve an image of exclusivity. Clothes with a longer shelf life, like T- shirts, are outsourced to lower-cost suppliers in Asia and Turkey. With tight control on its manufacturing process, Zara can move more rapidly than any of its competitors and continues to deliver fresh styles to its stores every week.

Logistics. Zara distributes all its merchandise, regardless of origin, from Spain. Its distribution process is designed.so that the time from receipt of an order to delivery in the store averages 24 hours in Europe and 48 hours in the United States and Asia. Having 50 percent of its production facilities nearby is key to the success of this model. All Zara stores receive new shipments twice a week, and the small quantities of each collection entice consumers not only to return frequently but also to make purchase decisions more quickly. Because of its logistics and inventory policy, while an average shopper in Spain visits a main street store three times a year, shoppers to a Zara store average 17 trips. Some fans know exactly what day new shipments arrive and show up early to be the first in line, keeping the company's sales strong throughout the year and even during slow economic times. The company also sells more products at full price-85 percent of its merchandise versus the industry average of 60 percent.

Customers. Everything revolves around Zara's customers. The retailer monitors customers' changing needs, trends, and tastes through daily reports from shop managers about which products and styles have sold and which haven't. Managers earn as much as 70 percent of their salaries from commission, so they have a strong incentive to stay on top of things. Zara's designers don't have to predict what fashion trends will be in the future. They react to customer feedback-good and bad-and if an idea fails, the line is withdrawn immediately. Zara cuts its losses and the impact is minimal due to the small quantities of each style produced.

Stores. Zara does not run advertising campaigns. The retailer's stores, in prestigious high-traffic locations around the world, are its key advertising element, featuring stylish and constantly changing window displays. Other retailers spend 3 percent to 4 percent of revenues on big brand-building campaigns, while Zara spends just 0.3 percent. The company has said it would rather use a percentage of revenue to open new stores than to advertise. Zara's success comes from having complete control over all the parts of its business-design, production, and distribution. Louis Vuitton's fashion director, Daniel Piette, described the company as "possibly the most innovative and devastating retailer in the world." It has expanded aggressively throughout Europe as well as into emerging markets suet as Asia, the Americas, and the Middle East, making sure it honors local tastes in each region. Zara was (latecomer to the Internet and launched its first online store only in 2011. However, the company now use: it's Web site to test the waters before entering potential markets like China, Russia, and Canada with retail storefronts.

While Zara has experience record sales as of late, it faces unique challenges ahead, including what to do in the United States, where obesity rate: are much higher than in the rest of the world and roomy clothes are preferred to the slim fits and high fashion the company offers. It also needs to decide how to maintain its tight control on manufacturing as it expands throughout the world.

Questions

Q1. Would Zara's model work for other retailers? Why or why not? (10)

Q2. What can Zara do to ensure successful growth around the world while maintaining the sarne level of speed and instant fashion? (10)

Sources: Rachel Tiplady, "Zara: Taking the Lead in Fast-Fashion," BusinessWeek, April 4,2006; enotes.com, Inditex overview; "Zara: A Spanish Success Story," CNN, June 15, 2001; "Fashion Conquistador," BusinessWeek, September 4, 2006; Caroline Raux, 'The Reign of Spain: The Guardian, October 28, 2002; Kerry Capell, "Zara Thrives by Breaking All the Rules: BusinessWeek, October 20, 2008, p. 66; Christopher Bjork, 'Zara Is to Get Big Online Push: Wall Street Journal, September 17, 2009, p. B8; "Best Global Brands 2013: Interbrand;Walter Loeb, "Zara's Secret to Success: The New Science of Retailing: Forbes, October 14, 2013; Jessica Sheft-Ason, 'Zara to Launch On line Shopping in September: Forbes, August 3, 2011; Zara.com; Inditex 2012 Annual Report.