

**PGDM (IB)**  
**Marketing Management - I**  
**IB 108**

**Trimester – I , End-Term Examination: September 2019**

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	Total Marks
A	3 out of 6	3*10	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			<b>50</b>

**SECTION A**

A1a. Marketing concept does not imply that the marketing executives run the company. The concept only requires the top management to be market oriented. Do you agree? Why? Give examples of how a personnel manager of a company can be market oriented.

OR

A1b. Customer involvement on the purchase decision making influences the marketing of any company. Under what conditions might a relatively inexpensive purchase be high involvement for a consumer?  
(CILO1)

A2a. Marketing has often been defined in terms of satisfying customer needs and wants. Critics however feel that marketing creates needs that do not exist before. Do you agree? Justify.

OR

A2b. Successful Tourism marketing requires a complete understanding of all experiences in learning, choosing, using a product/service by its buyer. Explain the Five Stage Model of Consumer Buying Process in light of the above statement for marketing tourism in India.  
(CILO2)

**TURN OVER**

A3a. Recently tomato prices in the country went up to as much as Rs 100 per kg due to flooding and crop damage following heavy rains in the growing areas. This created an additional demand for alternatives like tomato puree and ketchup brands like Homemade and Kissan to the extent of 40-45 per cent in past few weeks. While these brands have always tried to promote tomato puree as a substitute to fresh tomatoes this spurt in demand established the acceptance of puree as a substitute by the consumers. However, the increased demand is likely to be short lived after tomato prices normalize. As a consultant to a company marketing tomato puree suggest at least three ways by which the company can prolong and sustain the new found acceptance to their offering.

OR

A3b. A successful marketing company is one which delivers customer value. How have portals like irctc.com and makemytrip.com delivered value to its customers through their offerings? (CILO3)

**SECTION B**  
**Case Study**

Read the attached case and answer the questions at the end. Each question carries 5 marks (CILOs1,2,3)

**TURN OVER**



## Company Case Fitbit: Riding the Fitness Wave to Glory

It was 2009. James Park and Eric Friedman were at a breaking point. They'd been flitting around Asia for months, setting up the supply chain for their company's first product, the Fitbit Tracker. Having raised capital to launch the product with nothing more than a circuit board in a balsa wood box, they were now on the verge of pushing the button to start the assembly line. But with thousands of orders to fill, they discovered that the antenna on the device wasn't working properly. They stuck a piece of foam on the circuit board and called it "good enough." Five thousand customers received shiny new Fitbit Trackers just in time for the holidays.

Getting a start-up company off the ground is challenging. Getting a hardware start-up to succeed is near impossible, especially when you're the pioneer. But with so many changes in the marketing environment, Park and Friedman knew they had something special. Pedometers had been selling for years, following personal fitness and wellness trends. But those devices were low-tech and limited in the information they provided consumers. And with the seemingly endless demand for high-tech gadgetry, Park and Friedman saw big potential for using sensors in small, wearable devices.

The two entrepreneurs were correct. In just seven years, Fitbit has marketed more than a dozen different products and sold millions of units. Last year alone, the company shipped 21 million devices—almost double the previous year's number—ringing up \$1.86 billion in revenues and \$116 million in profits. Fitbit created what is now a fast-growing segment—wearable tech. Amid its best year to date, Fitbit went public with an initial public offering of \$4.1 billion. How did the company go from a balsa wood box to sitting atop an exploding industry? To hear Park tell it, "It was the right product at the right time at the right price point."

### A Magical Device

Although Park's response may seem simplistic, it's right on. Coming up with a product that delivers the right benefits to consumers at precisely the time they need them is the key to any new product launch. In Fitbit's case, consumers were hungry for this small device that could not only track steps taken but calculate distance walked, calories burned, floors climbed, and activity

duration and intensity, all from an unobtrusive spot—clipped on a pants pocket. What's more, the Fitbit Tracker could track sleep quality based on periods of restlessness, the amount of time before falling asleep, and the amount of time actually sleeping.

Even more enticing to consumers, the device could upload data to a computer and make them available on the Fitbit website. At the site, users could overview their physical activity, set and track goals, and keep logs on food eaten and additional activities not tracked by the device. To top things off, the explosion of social media and sharing personal information went hand in hand with what users were uploading. By design, Park and Friedman put more into Fitbit's software than its own hardware, recognizing that other hardware device companies like Garmin had shortchanged the software aspect.

But Fitbit's success can also be attributed to new models. Recognizing that gadgets have a limited life span and that competition would attempt to improve on its offerings, Fitbit has made development a constant process. From the original Tracker to its current Blaze smartwatch with GPS, heart-rate monitor, and the ability to display smartphone notifications for calls, texts, calendar alerts, Fitbit has stayed ahead in giving consumers what they want.

### An Unexpected Opportunity

Still, Fitbit's path to success has been challenging. One big challenge the company has faced from the start is customer retention. Like many diets and pieces of exercise equipment, users are drawn to the "wow" factor of something that can improve their health and wellness but quickly fizzle out. And if users stop using a device, they are far less likely to purchase the "new-and-improved" version, much less recommend it to anyone else. But an interesting thing happened as Fitbit got things rolling. The company received a flood of calls and messages from corporate human resource departments. Perplexed as to why businesses would want to buy Fitbit devices in bulk, the company assigned a point person to find out.

It turned out that corporate America was going through a push to enroll employees in wellness programs. The reasons for this push extended far beyond concerns about employee health

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and well-being. Healthy employees provide major benefits for a company. They call in sick less often and are generally more productive. They also cost less in terms of health-care benefits. And although diet and exercise can't erase every poor health condition, they can have a big effect on health factors such as blood pressure, cholesterol levels, and blood sugar levels—conditions related to common diseases such as heart disease, stroke, and diabetes. So it's no wonder that companies have an incentive to do whatever they can to motivate employees to take better care of themselves.

As Fitbit talked to companies, it discovered that most were struggling to enroll even a small proportion of employees in their workforce wellness programs—many had less than 20 percent compliance. One problem was that—even as the latest fitness wearables from Fitbit and its competitors were showing up around offices everywhere—participation in corporate wellness programs often required the use of a bulky corporate-issued tracker, better known as an analog pedometer. “Can you imagine asking engineers to wear a janky old pedometer and write down their steps?” mused Amy McDonough, Fitbit's corporate point person. Fitbit, of course, offered a much more high-tech option, letting individuals easily track more complex data and letting HR departments easily compile and analyze the data as well. Fitbit's bulk sales to corporations started rolling in.

Much to Fitbit's pleasant surprise, Fitbit products sold through corporations versus those sold to individuals had noticeably higher retention rates. Fitness trackers in corporate wellness programs were often used in wellness challenges—maintain a minimum of 10,000 steps a day and get free vacation days or a discount on health insurance premiums. It might seem logical that people would stop using their devices once a challenge ended. But when IBM gave out 40,000 Fitbits to employees over a two-year period, it found not only that 96 percent of employees routinely logged their health data and eating habits but that 63 percent of employees continued to wear their Fitbits months after the challenge concluded.

Other companies noted even greater tangible benefits. Cloud-services start-up Appirio bought Fitbit devices for 400 employees. Armed with data from the wearables, Appirio was able to convince its health insurance provider, Anthem, that the increased health benefits were translating into lower health-care costs. This gave Appirio the leverage to negotiate lower premiums, shaving \$280,000 off its annual bill.

Today, Fitbit's well division offers tools specifically designed for employers, such as dashboards, dedicated service support, and webinars. Corporate clients include BP America, Kimberly-Clark, Time Warner, and Barclays. Target offered Fitbit Zip trackers to 335,000 of its employees. Corporate sales currently account for 10 percent of Fitbit revenues. But the corporate share of the sales will increase, as adoption in that sector is growing at a faster rate than in consumer markets. Founder Park claims that the use of Fitbits in employee wellness programs is having an impact not only on health and well-being but on job safety as well. Companies have also experienced improvements in office cultures as a result of the unified effort among coworkers to achieve fitness goals together—a factor that is also likely boosting retention numbers in the corporate setting.

### Encountering Hurdles

With high growth rates and plenty of market potential, it would seem that the sky is the limit for Fitbit. But Fitbit still faces nu-

merous obstacles. For starters, privacy issues have increased as technology creates new ways to gather and share information. In Fitbit's early days, information logged by users was public by default. That meant that as users integrated their information into social networks, their fitness, eating, sleeping, and in some cases sexual activities were being posted for all to see. That was easily remedied by making “private” the default setting. But general concerns about what happens with uploaded personal data remain, even amid assurances from Fitbit that it does not analyze individual data or sell or share consumer data.

But other privacy matters haven't been so easily managed. Fitness trackers and the data they generate are not regulated. That means that any organization bound by compliance with the U.S. Health Insurance Portability and Accountability Act (HIPAA) has had to tread lightly when adopting a digital tracking device. Fitbit has always been proactive on privacy and information security issues, leading the industry by working with Congress on legislation in this area. Fitbit recently achieved HIPAA compliance, which goes a long way toward putting employers' fears about privacy and security to rest.

But other concerns remain on the part of both employers and employees. Even as Fitbit and its corporate customers do all they can to allay privacy concerns, many employees have expressed concerns that companies will misuse the data. Concern about what data are being collected and how they are being used has led some employees to wonder whether their Fitbits could be telling employers if they are recovering from a wild night of partying, calling in sick when they really aren't, or feeling nervous in a meeting or even if they become pregnant.

Although the overall benefits of integrating a Fitbit device into wellness programs and the associated challenges seem clear, there are negative outcomes as well. Health experts point to the potential for a cultural divide between the “dos” and the “do nots.” Employees with disabilities, chronic ailments, or even unhealthy habits may opt out of such programs. Particularly in programs that use leaderboards and group incentives, the result can be to celebrate the fit but demoralize those who are not. And rewards given to those who participate as well as those who succeed are viewed as penalties for those who opt out.

Cheaters are also a concern. Yes, some participants in wellness programs have found ways to fool their Fitbits. For example, a dog can trigger 13,000 to 30,000 steps per day with a Fitbit attached to its collar, easily exceeding the standard 10,000-step goal. Social media sites have erupted with shared practices. “Want to cheat your Fitbit? Try a puppy or a power drill,” suggests one Tweet with a link to instructions. Other methods for logging steps include putting it in the dryer, shaking the fist, attaching it to small children, playing the piano, leading music, and whisking a bowl of chocolate-chip cookie batter. Even the vibrations from riding a Harley or a lawnmower can do the trick.

Beyond these concerns that stand in the way of more widespread acceptance and use, perhaps Fitbit's greatest challenge is competition. With a dominant market share in the rapidly growing product category that it created, you might think the Fitbit has it made. However, as digital technologies advance on all fronts, it has become apparent that a fitness tracker is not a product. It's a feature. That became painfully apparent when the Apple Watch hit the market. The Apple Watch wowed the public as a wrist-worn extension of the iPhone with practically unlimited



app potential. Its fitness tracking features seemed to minimize those of Fitbit's products. And if Apple can jump Fitbit's train as one simple addition to a far more robust product, what other companies and devices might make their way into Fitbit's territory? And on the software and analytics side, Apple Health and Google Fit seem poised to corner the market with compatibility across mobile platforms.

But Fitbit is hard at work differentiating its wares and positioning itself as more than just a maker of fitness trackers. It has already introduced its own smartwatch. And its "next big leap" is to move beyond fitness tracking into medical diagnosis. By partnering with organizations that can link Fitbit's products with more detailed clinical research, Fitbit devices could soon replace blood glucose meters and even alert users to dangerous health conditions and disease. If Fitbit can successfully position itself on strengths that competitors have a hard time replicating, the sky may be the limit.

### Questions for Discussion

- 3-12 What microenvironmental factors have affected Fitbit since it opened for business?
- 3-13 What macroenvironmental factors have affected Fitbit?
- 3-14 How should Fitbit overcome the threats and obstacles it faces?
- 3-15 What factors in the marketing environment not mentioned in this case could affect Fitbit?

Sources: Based on information from Christina Farr, "Fitbit at Work," *Fast Company*, May 2016, pp. 27-30; Robert Hof, "How Fitbit Survived as a Hardware Startup," *Forbes*, February 4, 2014, [www.forbes.com/sites/roberthof/2014/02/04/how-fitbit-survived-as-a-hardware-startup/#5e2a544e4f42](http://www.forbes.com/sites/roberthof/2014/02/04/how-fitbit-survived-as-a-hardware-startup/#5e2a544e4f42); Lance Whitney, "Fitbit Still Tops in Wearables, but Market Share Slips," *Cnet*, February 23, 2016, [www.cnet.com/news/fitbit-still-tops-in-wearables-market/](http://www.cnet.com/news/fitbit-still-tops-in-wearables-market/); Jen Wiczner, "Fitbit Users Are Finding Creative Ways to Cheat," *Fortune*, June 10, 2016, <http://fortune.com/2016/06/10/fitbit-hack-cheat/>.