

PGDM (RM) 2014-16

Marketing Management -II

RM 205

Trimester – II, End-Term Examination: December 2014

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**. In case of rough work please use answer sheet.

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

Q1. Coupons and rebates benefit different channel members. Which would you prefer if you were a manufacturer and a retailer? Why?

Q2. A local health club is running a promotional campaign that promises you can lose an inch a month off your waist if you join the club and follow its programme. How might this claim cause a communication gap? What should the club do to avoid a service failure?

Q3. Why are so many brick-and-mortar retailers adopting multi channel strategy. Cite examples.

Q4. Why some media channels growing and others are are shrinking?

Q5. Nike owns several brands: *Converse*, *Cole-Haan* and *Air Jordan* among others. Each brand feature many models, each of which has a unique identifying name. Wouldn't it be easier to justify them all as *Nikes*? Justify your answer.

Section B

- Q1. Suppose a snack company introduces a new product called *SumBanchips*-banana chips with energy boosters like caffeine, taurine and ginseng. How would you expect this product's IMC programme to differ from that for regular banana chips sold as snacks?
- Q2. In what stage of the PLC is a new model of a PlayStation video game console? Is Sony's marketing strategy –its four Ps- consistent with the product's stage in its life cycle? Explain.
- Q3. Consider the last purchase you made on sale. How did you use external and internal reference prices to determine the product's value? Do you believe external reference price was deceptive? Why or why not?

Section C

- Q1. What are power brands and why HUL is focused on them?
- Q2. What is the advantage of umbrella branding and how has it helped HUL?
- Q3. Regular rationalization of product mix is essential for marketers. Comment in the context of HUL.

HUL has a large brand portfolio consisting of a few dozen brands. In every product line, it has built a number of brands over a period of time. Quite a few brands have come to its fold from the parent company. It has also acquired several ongoing brands from the market. HUL also vigorously pursues brand extension strategy.

And concurrently, HUL undertakes line pruning and brand restructuring and consolidation, based on marketing compulsions. HUL also plays the rejuvenation and re-launch game. The corporate-level endeavours at business expansion and diversification also throw up new issues on the brand strategy front. For all these reasons, HUL lends itself as a good example for grasping the complexity of the brand management task.

Let us see how the company has been handling its brands during the last two decades. A select list of the popular brands of HUL in different product lines is shown in Table 17.1.

Table 17.1 A Select List of Popular HUL Brands

Wheel	Knorr
Lifebuoy	Lux
Sunlight	Close-Up
Pears	Pepsodent
Rexona	Brooke Bond Red Label
Surf	3 Roses
Rin	Fair & Lovely
Pond's	Bru
Lakme	Kissan

Be a Leader in Every Chosen Category through Strong Brands—the Aim of HUL

Such an array of brands is the outcome of a conscious corporate strategy by HUL. As a corporate, HUL wants to be a leader in every one of its businesses and the strategy is to fight on the strength of strong brands. It is this strategy that is getting reflected in the development of a multitude of brands. If we take the business of bathing soaps, as an example, HUL always had the objective of being a national player (not a niche or a regional marketer) and the leader therein. HUL also wanted about 30 per cent of the corporate income to come from this line.

So, HUL opted for the strategy of developing quite a few strong brands in this line, and among them, they cover different market segments and price points. Dove, Lux, Liril, Rexona, Pears and Lifebuoy are the outcome of such a well-planned brand strategy implemented over time. Lifebuoy is 100-plus years old and Liril 30 years old. In fact, HUL has about 10 brands of toilet soaps each having good volume of sale to its credit. The point is that decisions on brand portfolio are a fundamental expression of the company's objectives and strategy governing a given business.

HUL Locates Positioning Opportunities

HUL is systematic in exploring opportunities in the businesses it operates. If gaps for possible new offers are found, it analyses them across benefits, target groups and price points. Existing brands are checked to see whether they can step in with an extension; if not, the company assesses the scope for a new brand.

HUL Hires Brands to Capture New Opportunities

Towards the close of the 1990s, HUL found that the 'germicide' segment of the soap market was growing fast, with RCI's Dettol antiseptic soap leading it. HUL did not have a suitable offer in its stable to capture a share of this segment. It was a real product-gap; Lifebuoy was not strictly meeting the particular benefit.

HUL knew that launching and developing a new brand would take a lot of time and resources, and the company would miss the market if it chose this route. HUL did not have the product formula either. It was in this background that HUL decided to hire the Savlon brand from J&J. Savlon was a successful antiseptic lotion, a competitor to Dettol lotion. Just as the Dettol soap owed its origin to the success of the Dettol lotion, HUL assessed that a Savlon antiseptic soap could be successfully extended from the Savlon lotion.

It entered into an agreement with J&J for the use of Savlon brand name and the product formula, and launched the Savlon antiseptic soap. In fact, HUL very deftly managed a successful new brand launch and emerged as a challenger to Dettol soap. J&J secured a good royalty from HUL for lending the brand. It was a win-win arrangement for both companies. (After a few years both companies terminated the arrangement.)

Cautious in Creating New Brands

HUL believes that creation of a new brand should be done very cautiously. For a new brand to succeed in a competitive market, it should either be superior to all existing offerings, or, it should represent a new positioning altogether. Otherwise, it will get discounted. To quote HUL,

"The question we ask ourselves each time we consider launching a new brand is: Does it have anything distinctive and superior to competition that consumers will find relevant and appealing in terms of functionality, physical attributes and positioning? If it has none of these, the new brand can quite easily become just another me-too in an already overcrowded marketplace. Given the organisational resources and investment required to launch and build a brand, one has to seriously consider whether such a new brand is worth launching ..."

Every Brand Must Be Viable in Its Own Right

This is a basic tenet at HUL. Every brand must cover its cost and earn for the company. That does not mean at any point in time, all the brands of the company must be net earners. It need not be so. Some of the brands will be in an investment phase, while others are going through steady growth and profitability stages. But the starters should become viable. In looking at viability, HUL, of course, takes a long-term perspective. For instance, HUL's investment on brands like Dove soap was based on the assessment that these will be strong, profitable brands in 5 to 10 years time.

Determining Number of Brands, Extensions, Variants and Pack Sizes

In deciding the number of brands, extensions, variants and pack sizes, HUL goes by the cost and complexity dimensions. Each SKU (stock keeping unit) adds complexity and consequently cost to the entire supply chain. HUL has now come to the view that 'less is more' is a good guiding principle in deciding the ideal number of brands, extensions and variants. HUL's approach was: When there is proliferation, the innovation resource that an organisation is able to commit, is spread out thin across a large number of products and projects. If an organisation wishes to grow by introducing real product-breakthrough and new brands in the market, it needs to concentrate its R&D resource and marketing efforts behind a clearly identified set of big projects that are likely to succeed.

Enriching the Brand

HUL's market research and R&D wings are constantly involved in the product upgradation task. HUL conducts 15 to 20 rejuvenation programmes every year, spread over its 30 major brands in various product categories.

Brand Strategy in Diversification Context: Example of Foods

The second half of the 1990s saw HUL in the grip of major acquisitions, mergers and consolidation. They were part of the expansion and diversification programmes of the company. One major diversification was into the food business where a major issue to be sorted out was the brand strategy. HUL, 'the soaps & shampoo company', was now poised to become a foods major. Naturally, brands were required to wage the battle.

Five Umbrella Brands to Cover the Entire Foods Business

HUL developed a comprehensive brand strategy; it decided to bring its various food lines under five brands.

To quote HUL, "The idea is to create five umbrella brands to drive the entire foods business."

The five brands were Brooke Bond, Lipton, Kissan, Dalda and Kwality-Walls. Brooke Bond and Lipton were brands for beverages, Dalda for edible fats, Kwality-Walls for ice creams and frozen desserts and Kissan for natural and wholesome foods.

All of them were strong ongoing brands. The brands Brooke Bond and Lipton came into the HUL fold with the merger of BBLIL with HUL. Kwality came to HUL through a buyout of the brand in specified markets. The idea obviously was to exploit established brand identities. Each of these brands had a tremendous equity built over the years. For instance, Brooke Bond's brand worth at that time was estimated to be ₹850 crore, Lipton's ₹370 crore, Dalda's ₹225 crore, Walls ₹160 crore and Kissan's ₹100 crore. HUL's strategy was to make these brands work in the market, with more and more products entering the market under their umbrella.

Kissan, the Traditional Ketchup Brand Widens its Wings

Traditionally identified as a tomato ketchup and squash brand, Kissan was repositioned as a family brand for the entire foods business, including even basic food items, like *atta* and salt. In tune with the strategy, HUL renamed the Annapurna brand as Kissan Annapurna and planned more products under the Kissan brand.

HUL stated at that time, "We are right now (1998) in the process of working out a considered investment decision in the food categories to help make the foods business contribute to around 50 per cent of the total HUL turnover from the present contribution level of 37 per cent." The five brands were put to work towards this goal. In fact, these five brands had the responsibility of earning a revenue of ₹7,000 crore for by 2005.

All Beverage Brands Come under Brooke Bond/Lipton Umbrella

All ongoing brands in beverages like Taaza, 3 Roses, Red Label, Taj Mahal, etc., were brought under the Brooke Bond or Lipton umbrella. Lipton Taaza, Brooke Bond Red Label and Brooke Bond 3 Roses individually had sales of over ₹100 crore per annum at that time. 'Brooke Bond A-1' was the latest addition; placed in the popular segment, it was launched to upgrade consumers of loose tea to branded tea.

Brand Portfolio Rationalisation-2000-2001

HUL's sales and profits have been slowing down during the years 2000 and 2001. The army of nearly 110 brands was not working enough? HUL had to take a re-look at its brand portfolio.

It found that a lot of brands on which HUL had spent enormous amount of time, energy and money were not contributing enough; there were little or no returns from many of them. It was in this context that HUL attempted a substantial brand rationalisation programme, in the year 2001.

Power Brands. Keeps 30 power brands, play down 80 others In 2001, HUL initiated plans to prune its brand portfolio to almost one-quarter of its size. HUL located around 30 brands to be focused upon as the brands for the future. HUL called them **Power Brands**. The 30 power brands shown in Table 17.2 contributed almost 75 per cent of HUL's turnover and profits. Of the 30 brands, 18 are international brands of parent company Unilever and the rest are India grown. The future warfare had to be fought on the strength of these 30 power brands.

Table 17.2 The 30 Power Brands to be Focused by HUL

Lifebuoy	Clinic
Lux	Axe
Liril	Rexona
Dove	Red Label
Breeze	Brooke Bond A-I
Pears	Lipton Taaza
Fair & Lovely	3 Roses
Rin	Taj Mahal
Wheel	Bru
Comfort	Kissan
Surf	Kissan Annapurna
Vim	Kwality Walls
Close-Up	Ponds
Pepsodent	Lakme
Sunsilk	Elle 18

The list included brands like Lifebuoy and Lux, which contributed 25 per cent to profits as well as brands like Axe and Pears, which did not contribute much profit but were assessed to become star brands of the future. In the selection, HUL's criteria were brand's current performance, its competitive differentiation and its future potential.

Pears, for instance, had less than five per cent of the toilet soaps market, but it had a unique position that has been successfully extended to other related categories like face wash. In emerging categories like deodorants, focus was on two brands, Rexona and Axe. Rexona is the brand, which Lever uses internationally to build the deodorant category. Axe, since its launch, has been picking up well. Deodorants and face wash are products of the future and brands like Pears and Rexona should become leaders therein.

In the fabric wash market, there will be three distinct brands—Wheel, Rin and Surf; Wheel in the mass market, Rin at the top and Surf in the middle, with different benefits. Surf occupies the stain removal platform while Rin assures whiteness.

HUL would put all its energy and resources behind the chosen 30 brands. To quote HUL, "We are going to ensure we put disproportionate assets behind these brands, whether it's advertising monies, or the quality of people working on the brands . . . We will grow them into increasing opportunities of contact with the consumer by taking them into other relevant product forms and into services. That's the game plan."

The power brands strategy did not mean totally vacating any product category. HUL clarified, "Brands are chosen across all our categories, so we are not de-prioritising any of our categories. The 30 brands also span all the key consumer segments."

The 80-odd Brands Outside the Chosen List to be Handled Differently

The remaining 80-odd brands, which contributed about 25 per cent of HUL's turnover, fall under three categories; they would be given different treatments.

- (i) The 'regional jewels'—This category of brands are exceptionally strong in certain geographic areas;

(4)

Hamam, for instance, gets about 60 per cent of its volumes from Tamil Nadu, where it has 30 per cent market share; HUL will keep such brands as purely regional brands and support them in these areas.

- (ii) *Brands, which are both small and unprofitable*—They will be discontinued or sold off. Example: two variants of Close-Up, Oxy Fresh and Renew, Revel washing powder and Aim toothpaste.
- (iii) *Brands with overlapping positioning*—The bulk are here; they also overlap in market targeting with one of the power brands. HUL said, "Whenever you have the same benefit and same price point, there is no advantage to carry two brands. So, what we would do is merge those brands with some of the power brands." For instance, in toilet soap, HUL has Breeze, a real winner, which is growing at 50 per cent plus per annum. There is no need for another mass brand like Jai.

Another Strategy Correction

By 2006–2007, after four to five years of pursuing the Power Brands Strategy, HUL reversed the steps. It found that such brand segregation did not bring the intended results. The new decision was to keep the brand portfolio more open, allowing more flexibility for brands and the brand managers.

Today, HUL's main focus is to enter new categories that can assure new business and then to build afresh new brands, grow them and reap the rewards. The company finds that the very categories like soaps and fabric wash are posing limitations in growth and, as such, the brands in these categories, however strong they may be, will have the same limitation. So categories like foods, and beauty, and out-door services in foods and beauty (like the Knorr kiosks, Swirl ice cream parlours, Lakme Salons and the Bru World Cafe) are getting priority. New brands are coming up in these lines. The traditional fighter brands, of course, will continue their fight. And the work goes on...

(Source: www.hul.co.in: Constructed from Chairman's speeches at AGMs and reports in the press/websites)