

PGDM (RM), 2019-21

MARKETING MANAGEMENT-II

RM 204

TRIMESTER – II, End Term Examination: December, 2019

Time allowed: 2 Hrs and 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	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered Or Maximum 6 questions with internal choices and CILO covered (as an example)	3*10 Or 6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			50

Section A

Attempt all three questions. Each question carries ten marks.

Q1a You are asked by your boss to come up with some new ideas for developing new products. Discuss how you would accomplish this task. What are the different sources that you can use for generating new product ideas? (CILO 1)

OR

Q.1b When physical products cannot be easily differentiated, the key to competitive success may lie in using service as a differentiator. Discuss key service differentiators with suitable examples? (CILO 1)

Q2a Discuss the conditions under which a manufacturer would want its distribution intensity to be exclusive, selective and intensive. Which distribution level makes sense for the following products and explain why is it appropriate - Mountain Dew soft drinks, Rolex watches and Samsung refrigerators?(CILO 3)

OR

Q2b 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? (CILO 3)

Q3a 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? (CILO 2)

OR

Q3b 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. (CILO 2)

Section B (20 marks)

Case study (compulsory) (Combination of CILOs)

CHANNEL STRATEGY—TITAN WATCHES

Titan Industries' channel strategy for its watches offers excellent lessons on several aspects of distribution management, especially channel management. Included among them are:

- How multi-mode retailing—consisting of exclusive, owned as well as franchised, semi-exclusive and multi-brand outlets—could be adopted and exploited to good effect
- How 'the showroom concept' could be adopted to advantage, not only for effective distribution but also for brand building
- How a firm should go about the selection of its showroom-franchisees
- How a firm should manage and coordinate such a wide spectrum of retailing modes and achieve its marketing/channel objectives

Titan's objectives and strategy Titan was seeking rapid growth, leadership in the watch industry in quick time, and building of a mega brand in watches. Titan's marketing strategy had two main components: A product strategy resting on high-quality product and a wide range of models; and a channel strategy, led by the showroom concept.

Innovative Channel Strategy

Titan rejected the existing channel pattern in its industry and went for a network of exclusive showrooms. It had its rationale for doing so. Titan was not content with marketing its watches as mere time-telling devices. It wanted to sell them as symbols of status and fashion, and as jewellery. It was the way Titan could make profits and build a big brand. Titan just could not stay with ordinary watch retail shops. It needed class outlets; at the same time it also required vast reach and extensive penetration in view of the large volume of business it was seeking and the multitude of segments it was tackling. Control over store image was another main consideration in going for the showrooms. It needed to control the decor, the ambience, the staff and the level of inventories in its stores. It also wanted to upgrade the quality of display of its wares and also to expand the market for watches. It was Titan's conviction that if its watches were to be positioned as a fashion and status wear, the store image was very important. A network of showrooms/exclusive outlets was the automatic choice. Titan was attempting to change the very experience of buying a watch.

Channel Objectives Led to Channel Strategy

Titan's channel objectives were:

- Use the channel (along with product and promotion) for changing the very perception of buyers regarding watches and sell them, not as mere time-telling devices, but as items of status and fashion, and as jewellery.
- Be close to the customer, so that he can see the product on offer and be tempted.

Titan's channel strategy flowed from its channel objectives. Titan had to provide:

- Classy stores with superior design and image
- Superior merchandising
- Full product range display
- Good customer service
- Location convenience

Titan Voted for a Network of Showrooms, Owned or Franchised

In view of the above requirements, Titan voted for the showroom idea and built up a network of trendy Titan Showrooms. The showrooms were essentially retail outlets, but they had higher standards in interior design, decor and systems; and they sold Titan products exclusively. Titan made a study of the then existing 8,000 odd retail watch outlets in the country and found that there was nothing unique about them, nor did they have any persuasive or communicative content. Titan decided to create a network of showrooms. Titan, however, appreciated that it could not achieve wide market coverage by wholly depending on such showrooms. It, therefore, went in for a mix of own showrooms and franchisee showrooms, the latter eventually far outnumbering the former.

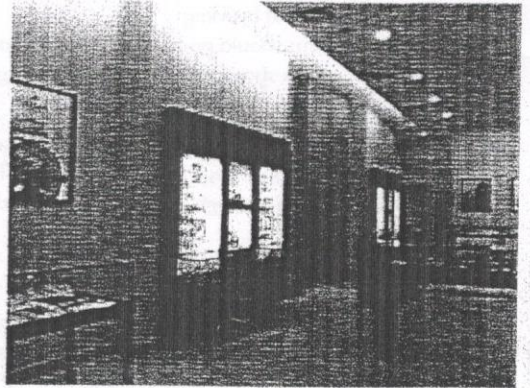
'Showroom Concept' Became the Cornerstone of Titan's Channel Strategy

By 1996, i.e. within eight years of starting production, Titan had a chain of over 100 showrooms, a majority were franchised ones. The significant point is that the showroom as such formed the cornerstone of Titan's channel strategy. Titan showrooms now dominated the upper end of watch retailing in India and accounted

for over one-third of Titan's total domestic sales revenue. The two kinds of showrooms (own and franchisee), no doubt, had a lot of commonalities. After some time Titan started calling the network of showrooms, *World of Titan*.

Selection of Showroom Franchisees

We earlier made a mention about Titan's 'Dealer (showroom franchisee) wanted ad'. Titan actually released an elaborate advertisement in the national and regional press, inviting applications from prospective dealers and giving a résumé of Titan's activities, its marketing strategy and the plans of the company for appointing franchisees/showrooms all over the country. Titan also outlined the benefits the franchisees would get and the inputs required of them. The high standards of merchandising, display, sale and service expected of the franchisees were specifically mentioned. Since the Titan watch was positioned as a symbol of fashion, status and contemporariness, rather than a utility, Titan insisted on 'attractive showroom in the best location' as a major criterion. The ads carried a picture of the Titan showroom that was already functioning in Bangalore, attractively displaying more than 150 international designs of watches. Titan wanted the franchisees to perceive the Titan business as one of dealing in ornaments, rather than watches.



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Criteria, Titan Used for Showroom Franchisees

Shop Space: 500–1500 sq ft

Frontage: 20 ft wide

Building: RCC, first class construction

Neighbourhood: Fashionable outlets; away from traditional watch outlets

Area: High traffic retail market area and upcoming localities

Investment: For the business, ₹20–50 lakh; for interiors, ₹1,000–2,000 per sq ft

Other Aspects:

Franchisee's track record

Reputation

Receptiveness

Titan also specified that

- (a) The showroom shall be designed as per Titan's specifications, maintained in the best way, and operated effectively in tune with the reputation of the company/brand.
- (b) The franchisee shall be responsible for upkeep, furnishing, equipment, etc. No modification of design shall be done without the permission of the company.
- (c) The showroom building shall be insured and all risks shall be borne by the franchisee.
- (d) Depending on the investment made, there shall be a specific package of terms for each franchisee.
- (e) The company has the right to have one or more additional franchisees in the same city.
- (f) The company is free to supply its products to anyone else it desires in the given town.
- (g) The agreement shall be valid for a period of 10 years

Titan's Franchisee Selection Too Holds Useful Lessons on Retailing Management

Titan went about the task of selecting the franchisee-showrooms in a systematic manner. The process holds useful lessons on retailing management. Even Titan's 'showroom wanted' ad serves as a model. It was simple and to the point and instantly attracted the prospective dealers. It also made them appreciate clearly what was expected of them.

Titan Voted For Multi-Mode Retailing, with Showrooms as the Main Mode

Eventually, Titan used a wide bunch of retailing modes:

- Exclusive showrooms (own)
- Exclusive showrooms (franchised)
- Titan shop/Time zone—Semi-exclusive outlets
- Multi-brand outlets
- Institutional buyers (direct sales)
- Canteen stores

- Special rural outlets
- Online store

Titan Shops/Time Zones Became the Third Mode

These were also showrooms, but not exclusive to Titan. The stipulation was that they should stock and deal Titan products as their mainstay; at least 70 percent of what is sold should be Titan products while the remaining 30 percent can be other brands. Titan Shops 'are watch-shops run by people with decades of experience in watch'. The intention was that Titan should get a share of the business accruing to these outlets also. Titan initially named these outlets, *Titan Shops* and later renamed them, *Titan Time Zones*. The rationale behind Titan Shops was:

- It was not possible for Titan to effectively cover the market through showrooms alone, own or franchised.
- But these shops could not form part of Titan's exclusive showroom network; either these shops were unwilling to be exclusive to Titan or Titan did not find them suitable to be elevated to the exclusive showroom category.
- Earlier, Titan had adopted a policy that only those without prior experience in watch retailing could become a Titan showroom franchisee, because it wanted to have a high degree of control over the franchisees and mould them according to its own plan; Now Titan had to rope in men with experience in the watch trade to meet the expanding needs of Titan.

Titan Dealers Became the Fourth Mode

By now, Titan was entering new market segments with new offers as part of the expansion strategy. For example, Titan entered the lower end markets, with offers priced between ₹300–500. The showrooms and the Titan semi-exclusive shops were just not sufficient for capturing big sales from the low-end markets. In fact, they served an entirely different buyer group. Titan naturally turned to the traditional watch shops spread throughout the country and offered them *Titan dealership*. These dealers constituted the fourth component of Titan's multi-mode retailing. Titan in fact, had two kinds of such dealers:

- Watch shops traditionally in watch business
- Non-watch shops (shops that had nothing to do with watches)

Traditional Watch Shops They were the multi-brand watch dealers used by all watch companies. The advantages of this category of outlets were:

- (a) *Location*: These were spread everywhere, even in small neighbourhood markets and are, hence, useful in increasing market reach.
- (b) Choice of many brands for the consumer, as these dealers were non-exclusive and carried many different brands of watches. Consumer traffic would naturally be high here.

Non-watch Outlets Titan also reached out to shops that sell products other than watches, in order to secure still better market penetration. As Titan was actually employing what can be described as the 'follow-the-customer' strategy in distribution, it went in for such non-traditional, non-watch outlets at places the Titan customers were likely to visit. These included jewellery stores, boutiques, book shops and even restaurants. Titan's idea was to tempt the prospects with a display of its fascinating watches at these places. Titan, however, subsequently found that this category of outlets were relatively uneconomic.

Institutional Buyers, Another Channel

Titan also used institutions, mainly corporates, as a channel. It offered custom-made watches to corporates in bulk to be distributed among their employees, mostly as gifts from the company. Titan sold the watches to them usually through carrying and forwarding agents (CFAs) and in some cases through the redistribution stockist (RS). In either case, sale took place as per terms fixed by the company. Titan had prescribed for this category a minimum order size—10 pieces or ₹10,000 in value terms.

Defence Services' Canteen Stores

Titan also chose the armed forces' Canteen Stores as one of its retail arms. It supplied its watches to the canteen stores in bulk for sale to its members.

Online Marketing

By now, Titan had launched special watches for the young and sporty. These included modern digital watches; and the range included World Time, the Globe trotter and Fast Track. The latest 'space age-looking' digitals and the futuristic ana-digi models were priced in the price range of ₹600–₹1,500 and had to be made available

through channels frequently accessed by the modern affluent youth. Internet was the natural option; Titan launched its online store.

Multi-Mode Retail Matched the Multi-Segments, Which Titan Chose to Serve

We saw that Titan used a wide bunch of retailing modes, ranging from exclusive showrooms to multi-brand outlets, canteen stores and rural outlets.

Why did Titan go for such a wide spectrum of retailing modes. All these retail arrangements had their respective rationale. There was also a general logic as to why Titan basically opted for a multi-mode retail arrangement. As explained in the chapter on Market Segmentation (Chapter 14), Titan identified and cultivated many different market segments for its watches and made distinct offers to each. Titan found that different retail arrangements were required for the different segments. For example, when Titan tried to cultivate the urban youth and children, it started online shops to conveniently reach them. To reach the gift market, it opened outlets in high profile gift shops, restaurants and boutiques. To cultivate the rural market in a big way, it lined up with ITC's e-Choupal. To serve institutional buyers/corporates, it gave them access directly to the company (through CFAs/RS) at special prices. Titan had to go in for multi-mode retailing to achieve its objectives. Titan went in for value-segmentation and deep segmentation of the market and made distinct offers for each segment. We have explained this in the chapter on market segmentation (Chapter 14). It had to meet every type of demand—in quality, fashion and price. So, it chose a multi-mode approach to retail, keeping the showroom concept as the cornerstone of its retail strategy. The company redefined brand Titan's philosophy as "Be More".

Titan Achieves Market Leadership through Creative Retailing

Today, 20 years after launch, Titan has become the omnipresent watch brand in India. Even during the slow-down times, Titan was not adversely impacted; it has continuously seen a decent growth rate. Highly insightful and creative experiments in distribution have been a key input in securing this position. Titan's retail strategy was shaped around the recognition that marketing a product extends beyond the physical product and includes how and wherefrom it is sold.

? Discussion Question

Having adopted the 'showroom concept' as the cornerstone of its channel strategy, Titan went on to embrace multi-mode retailing. Do you think it was wrong? Should Titan have stuck to the 'showroom concept' in full measure? What would have been the right option for Titan on the 'balance of advantages'?