

**MBA – MARKETING/FINANCE/HR/  
PRODUCTION & OPERATIONS  
MANAGEMENT (MBABM)**

00254

**Term-End Examination**

**December, 2014**

**MBM-018 : ADVANCED MARKETING MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100*

**Note :**

- (i) *Section I is **compulsory**.*
- (ii) *In Section II, solve any **five** questions.*
- (iii) *Assume suitable data wherever required.*
- (iv) *Draw suitable sketches wherever required.*
- (v) *Italicized figures to the right indicate maximum marks.*

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**SECTION I**

1. Answer the question at the end of the short case study.

## **The People's Car**

There was clearly something deeply flawed about the ₹ 1 Lakh price fixation for the Tata Nano. The obsession with this figure, from the day that it was a gleam in Ratan Tata's eye, has cost the company dear, besides giving low-cost cars a bad name.

For all its hype, Tata Motors Ltd. sold just 2,29,157 Nanos since deliveries began in July 2009, and according to a Bloomberg report, sales in March were off by 86% from a year earlier. The hangover of low pricing has impacted the company's entire product line including the Indica, the Indigo and the Safari, all of which ranked near the bottom of J.D. Power's 2012 India Initial Quality Study.

Since the term "bottom of the pyramid" was coined by the late C.K. Prahalad, the poor, living in low and middle-income countries have received increasing attention from marketers. The bottom of the pyramid attracts companies because of its promise of a large potential consuming mass with pending demand, low consumer expectations and slight competition. The Nano's failure shows this concept went awry and that case studies are not transferable in

different matrices. What works for Hindustan Unilever's tea/soap/washing powder or Chik shampoos does not necessarily work for a higher value product. The Nano as a car-in-a-sachet was an unworkable concept. Incidents of overheating early on ended up deterring many curious buyers despite the Tata brand that works fine in all other spheres.

The Maruti 800 was the real people's car in India. Significantly, at the time it was launched it was priced above the Fiats and the Ambassadors. Yet a generation, sick of the poor quality of the existing cars with their antiquated features, couldn't get enough of the 800 which always seemed to be appropriately priced but overwhelmingly reliable.

The Nano's positioning as the "upgrade-from-scooter" may have built a romantic aura around its creation but defies the basic theory of pricing which contends that "the price for any specific good/service is the relationship between the forces of supply and demand." The ₹ 1 Lakh tag was based neither on demand nor on supply. Consequently, the tag of the "lowest priced car in the world" may have been great for garnering media eyeballs but did little to satisfy real consumer needs. Successful

products normally follow one of three approaches to pricing. A simple “cost-plus” strategy or one derived after researching how much a consumer is willing to pay. Finally, of course, there is competitive pricing, whereby a company figures out what its competitors are charging, then pegs its own prices accordingly. ₹ 1 Lakh was an arbitrary figure fixed somewhere between the cost of a two-wheeler and the then lowest priced car in the Indian market. Following none of the existing canons of pricing, it needed something special in the product or its positioning if it had to succeed. The failure of the Nano proves it had neither of those virtues.

Reinventing the wheel to produce the cheapest mousetrap in the market is a flawed strategy. Tata Motors’ experience with the Nano shows that.

The actual price is above ₹ 2,00,000. Add ₹ 50,000 and you can buy an Alto.

***Question :***

Critically comment on the factors that influenced the pricing decision. Use five broad factors to substantiate your argument. Do not repeat the case facts.

10

## 2. Soap Opera - Case Study

ITC may be a late entrant in the ₹ 29,000-crore personal care industry growing at 12 percent every year, but it sure is making competition count. Some number crunching will establish that the cigarette-to-hotels major has indeed made inroads into an intensely competitive market often marked by pressured margins. In just two years, ITC's personal care business has notched up market share of about 5 percent (volume) in soaps, and around 3-4 percent in shampoos. Brands Vivel and Superia are each estimated to be more than ₹ 200 crore per annum in consumer spend. Putting those numbers in context is an IMRB household panel survey in February 2010 that indicates Vivel and Superia soaps and shampoos have been purchased by over 7 crore households, representing nearly 30 percent of Indian households .

What helped ITC cut across the clutter is probably its product proposition: a wide range of products meeting international quality standards but developed on the basis of Indian consumer experience.

Of course, Chief Executive of personal care strategic business unit, Sandeep Kaul, believes it's not one selling proposition, but several that have helped ITC carve out a place in the market. "We offer a superior value proposition to the

consumer and we have an intimate understanding of consumer insight. And, of course, the aesthetics. These are the cornerstones of our value proposition,” Kaul says.

- (a) Highlight the growth drivers for the personal care industry. 5
- (b) Does it make sense to enter a mature category like soaps ? Justify your answer with specific reference to ITC's products in this category. 5

### 3. Case Study

India's diaper consumption is so low when compared to other developing nations like Brazil, Nigeria, Indonesia and China.

The market penetration for baby diapers is only 3% and less than 1% for adult diapers despite a thriving economy, increasing PPP, 24 million baby births every year and around 70 million adults above 65 years.

#### **Question :**

Critically (positives and negatives) comment on which aspect of the Marketing Mix for diapers you could change and the outcome of each. 10

## SECTION II

4. How does concentric diversification result in operational synergies ? Illustrate the same with a suitable market map. 14
  5. How are the following indices helpful to you as a marketer :
    - (a) Category Development Index 7
    - (b) Brand Development Index 7
  6. Giving your understanding of the term “value proposition”, elaborate on the broad variables one can use in the delivery of consumer value. 14
  7. What are the narrow parameters one can use in deciding the overall attractiveness of the portfolio ? 14
  8. Explain the role of pricing from a strategic perspective. 14
  9. Elaborate on the six major steps in the design of a sales force. 14
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