(DEMB 9)

EXECUTIVE M.B.A. DEGREE EXAMINATION, MAY - 2015

First and Second Years

Paper - IX: MARKETING MANAGEMENT

Time : 03 Hours **Maximum Marks : 75**

SECTION-A ***(3 x 5 = 15)***

Answer Any Three of the following

1) a) Selling concept.

b) Intermediaries.

c) Product Portfolio.

d) Consumer decision-making.

e) Augmented product.

f) Price line.

SECTION-B ***(3 x 15 =45)***

Answer Any Three of the following

2) What are the functions rendered by channels?

3) State objects of advertising.

4) Describe the nature of marketing audit.

5) Elucidate the role of marketing in service sector.

6) Explain the social responsibilities of marketing.

7) Describe different product positioning strategies.

SECTION-C *(15)*

(Compulsory)

8) Rishi Chadha was convinced. He had to give Teefine Foods India (TFI) a new lease of life. The company had floundered in the last four years. But now that he had taken over as the regional business coordinator (Asia- Pacific) of US Foods, he was determined to chart a new and successful course for TFI. TFI was the Indian subsidiary of Us Foods, a $30 billion conglomerate with business in packaged foods and fruit drinks in over 80 countries across the world. US Foods wanted to enter the packaged foods market in India and chose to enter the snack foods segment first.

TFI entered the India market with its ‘Chipps’ brand of potato chips. Potato chips was the largest category of snack food worldwide and even in non-potato cultures. They had become the largest selling snack food item. At that time, there ware at least four other brands of potato chips in the Indian market. But none of them ware fully national brands. The size of the potato chips market was then 1,200 tonnes. But TFI was optimistic that it would be able to grow the market and carve out a big slice for chips.

Us Foods was wary of investing in an owned sales and distribution system (S&DS) for snack foods in India, at least until it had established itself in the country. Besides, the company was still in the process of laying the ground for its other businesses. Therefore, it decided to hand over the distribution rights for chips to brett India, a large marketing and distribution company.

Despite the ambitious growth plants chalked out by US Foods, sales were nominal in a four-brand 1,200 tonne market. Within two years, the contract with Brett India had to be terminated because the company was slow in responding to TFI’s needs. And when TFI was nowhere near achieving its first year target even in the fourth year, US Foods began to question the viability of its Indian snack foods business. It was clear that if things were allowed to slide, TFI would be closed down. That was something Chadha didn’t want. The Indian foods sector had opened up and he was confident that the ailing TFI could be navigated successfully.

Chadha studied the data he had received from Vineet Ahuja, he country manager of TFI. Ahuja gave him a detailed presentation on the Indian operations and the two sat down together to examine what TFI needed to brighten up.One of the first things chadha examined was the sales and distribution. After all, for an impulse-driver category, that was an important competitive strength. After it severed ties with Brett India, TFI had changed its distributors thrice in three years. There were other influences too. Sales needed advertising, which in turn required a critical mass to justify budgets. Since, The supply chain was not well established, deliveries to retail outlets were erratic. With no advertising, there was no brand salience and this mismatch between the supply and the off-take pattern was one of the factors that led to mounting sale stocks on the shop shelf. “The quality we want to market is the quality that we manufacture in the factory. But the quality that consumer gets is very different” Ahuja said.

TFI had decided to rectify some of these handicaps by investing in packaging. Chipps had initially resorted to foil packaging to increase the shelf life. But that proved costly because TFI lost 40 paisa on every rupee worth of chips sold. Worse, the packaging was not crash proof , which spoilt the visual appeal of the product on the shop shelf. In most foreign countries potato chips manufacturers used a two layer laminate to suit the local climate and market conditions. The deliveries to retailers were speedy, which meant that they did not have to carry inventory, assured as they were of daily replenishments. But since TFI could not match the speed, it decided to use a three layer laminate that would increase the shelf life to 120 days, against the 45 days that the two-layer laminate ensured.

But this sent the cost structure into a tailspin. The costs were already under strain due to high transportation costs. TFI’s plants was located at least 30kms from the nearest market, Delhi, whereas the international norm was 240 kms. Moreover, potato chips were a light commodity and of low value. One truck transported only Rs.1.6 lakh worth of merchandise while the same truck could transport Rs. 20 lakh worth of chocolates. The transportation costs were at least twelve times higher per truckload. And since freight as a percentage of costs was very high, the economies were further distorted.

The more Chadha thought about it, the more he came back to the same concern; lack of a proper sales and distribution system. Potato chips was a category in which 85% of the sales were impulse driven: more impulse driven than in case of chocolates -70%.

Questions:

i) Whether Chadha was right in solving sales and distribution problem by better packaging?; and

ii) Could TFI have done better than it did with Chipps? How?