UNIVERSITY OF PETROLEUM & ENERGY STUDIES

DEHRADUN

End Semester Examination –May 2017

Program/course: BBA- AM/ DM/ FAS/ FT	**Semester : II**
Subject: Marketing Management	**Max. Marks : 100**
Code : BBCM 151	**Duration : 3 hrs**
No. of page/s: 7	

SAP ID: …………………………………… Enrollment No………………………………

Note: Questions are weighted equally as per the sections.

Section – A

(Total 20 Marks)

(1) Short Notes

Attempt All.

(a) Role of social media in marketing

(b) Benefits of Personal Selling

(c) Impact of Marketing Environment on industries

(d) Responsibilities of retailers

(e) Services vs products

Section – B

(Total 40 Marks)

(2) Descriptive Type Questions

Attempt any FIVE

(a) What are the factors, which you would consider in developing successfully a new product and its commercialization? Explain with the help of suitable examples.

(b) “Sales promotion represents those marketing efforts that are supplementary in nature, are conducted for a limited period and seek to induce buying.” Discuss the statement.

(c) “Channel intermediaries are essential for effective distribution of a product”. Discuss.

(d) What users’ benefits would you stress in advertising each of the following three products to each of the three markets?

Product:

i. Mobile
ii. Noodles
iii. Business Magazine

Market:

i. CEO of the leading companies
ii. Retired People
iii. Working Woman

(e) “The length of product life-cycle is governed by the rate of technical change, the rate of market acceptance and case of competitive entry.” Discuss.

(f) With the help of suitable examples, contrast the cost-oriented and the demand-oriented approaches to pricing.

Section – C

(Total 40 Marks)

(3) Discuss the Case

Vora And Company

Understand the Concept of Marketing Mix

In December 1963, M.C. Vora, proprietor of Vora and Company manufacturers of Blossom Quick-Cooking Oats located at Lucknow, sought counsel from the Small Industries Service Institute at Lucknow regarding steps that might be taken to increase the sales of his company. The company had been organized in 1959, had started to sell its product nationally in 1961, but by December 1963 had failed to attain a profitable volume of sales.

Mr. Vora's family had been in the group business for several generations. In 1959, some four years after the Government of India had stopped the importation of packaged cereals, Mr. Vora and his family decided to enter the business of processing and selling a product like Quaker brand of quick-cooking rolled oats, a product of the Quaker Oats Company of the United States. For some years, before the Government's embargo, this product had been imported into India by the firm of Muller and Phipps, which acted as sole selling agents. The firm had advertised the product in many Indian cities and reportedly had attained at least a moderate volume of sales, particularly in South India, in the states of Kerala and Madras.

In 1956, shortly after the embargo on Quaker oats, the Ganesh Flour Mills of Delhi started to develop and market a quick cooking white oats under the trademark Champion. After some three years of experimental marketing in nearby areas, Ganesh Mills extended its distribution nationally, devoting a moderate amount to advertising in city markets throughout India.

The management of Vora and Company developed the machinery and the method of processing its product on a trial and error basis. The first product offered was not deemed satisfactory by the management and was withdrawn from the market. Not until 1961 was the company satisfied with the product's quality and with its processing equipment, which, when perfected, could produce on a one shift basis 500 cases a month, each case consisting of 36 tins of 550 grams each. White oats of finest quality were imported from Australia under Government license, since India grown oats of required characteristics were not available. The perfected product was submitted to test among consumers and was rated by them as equal to or better than the competing product. The management had made application for permission to use the mark of the Indian Standards Institution and learned that the product and its processing measured up to required standards. Mr. Vora anticipated early arrival of the papers, which would permit the company to place the I.S.I certification mark on its packages and to refer to the mark in company advertising and selling. He looked upon the I.S.I certification mark as a valuable aid towards building a reputation among the trade and consumers as to the quality and purity of the product. The competitive product Champion bore the I.S.I certification mark on its packages.

When entering the business Mr. Vora had no definite data regarding the volume of sales that had been obtained by Muller and Phipps for Quaker Oats before the embargo, nor did he know the sales figures for Champion Oats. He did know that oatmeal porridge was the leading hot breakfast cereal in the United States and some European countries. He had been informed that the cost of the imported product had restricted its sale in India, to families with high medium to high income. Moreover, he found that its use had gained wider acceptance in South India than in other parts of the country. From his discussion with agents Mr. Vora listed demand for quick cooked oats in order of quantitative importance by regions as follows:

1. Kerala
2. Mysore
3. Madras
4. Bombay
5. Calcutta
6. Northern region comprised of Delhi, UP & Rajasthan.

Apart from the high nutritive value of oatmeal porridge, its taste when eaten with milk and sugar or with butter or syrup was liked by many people. The quick cooking oats had appeal to many housewives because they had to be boiled for only four to five minutes to be ready to serve, whereas the older variety, rolled oats required about thirty minutes of cooking. Moreover, since the housewife had to exercise care to prevent the porridge from sticking to the pan and scorching, either by stirring frequently or cooking over a low fire, or by cooking in a double boiler, the long cooking type was less appealing than the new quick cooking type. The quick-cooking type was made possible by pre-cooking in manufacture after the oat grain had been split and rolled.

Packaging and Trade Mark

Vora and Company adopted a round heavy tin package like that which was being used for Champion Quick-cooking Oats, which, in turn, was presumably patterned after the package in which Quaker Oats had been imported. The management had adopted the trademark Blossom. The label was printed directly on the tin. A bright green background had the brand name in large red type at the top of the can. Directly below this was an illustration of several sheaves of oats and a smiling girl. Beneath the left half of the illustration in large white type was the phrase White Oats with the word White over the word Oats. The phrase quick cooking in smaller type was to the right of the white oats lettering.

The competing tin of Champion oats carried the smiling face of a young boy.

The Blossom tin contained 550 grams of oats, the quantity contained in what was thought to be the largest selling package of Champion Oats, although Ganesh Mills also marketed a tin containing 750 grams. Quaker Oats had been sold in a 500-gram tin.

The case in which the product was delivered to retailers contained 36 tins. The Champion case also contained 36 tins.

Distribution Channels and Terms for Sale

To secure distribution of its products Vora and Company appointed agents, who generally were selling non-competing food products, with exclusive regional rights. For instance, for the State of Punjab, U.P., Rajasthan, Jammu and Kashmir and for the Delhi territory the management appointed messers. R.C. Ramanathan of New Delhi as exclusive agents for sale of the products to retailers. This firm also handled the products of a large and well-known firm of packaged food manufacturers.

Messrs. R.C. Ramanathan were granted a commission off 10 percent of list price. They had three permanent salesmen covering their territory. In turn, they appointed sub-distributors in large town or cities such as Delhi, Agra, Gwalior and Mussorie to whom they gave 2½ per cent off list price out of their commission. Retailers were allowed a trade discount of 10 percent off Vora and Company's list price. Thus, the company received from its sales, list price less 20 per cent.

The company appointed agents for the remaining states on the same terms. The agents and sub-agents did not act as full-fledged wholesale distributors performing the functions of buying, stocking and distributing Blossom Oats in their territories. They acted rather merely as indenting agents, taking orders in case lots from retailers for shipment by Vora and Company from Lucknow. The agents merely guaranteed acceptance of delivery and payment of orders. Vora shipped its products for destination with blank draft attached to invoice, which was released for delivery of the shipment on payment of the draft.

Mr. Vora reported that in South India in the States of Madras, Kerala and Mysore, which were the largest consumer of Oats, sales had been very disappointing. The agent appointed for these States was new to the sale of food products. The agency firm for some time had no salesman of its own calling on retailers and the sub-distributors appointed with selling right for various areas with the total area had produced very little business for Blossom Oats. In light of the sluggishness of the sub-agents the agent had recently reported employment of salesmen to push the sale of Blossom Oats.

Mr. Vora had not made a practice of visiting his selling agents, but communicated with them by mail.

Pricing

The list prices for Blossom Oats as of December 1963, varied by section of the country. In North India, the list price was Rs.81 per case of 36 tins. In Bombay and South India, the price was Rs. 85. As stated previously, the product was sold F.O.R destination; the commission to agents was 10 per cent off list; sub-agents were granted 2.5 per cent off list out of the agent's 10 per cent; the retailers were granted a trade discount of 10 per cent off list. Thus, Vora and Company received from the sale of each case the following:

In North India	Rs. 64.00 (Rs. 81.00 less 20%)
In Bombay and South India	Rs. 68.00 (Rs. 85.00 less 20%)

Mr. Vora stated that reports received from the trade gave the list price of Champion Oats in North India as Rs. 93.00 per case. Moreover, he was told that the agents for this product received 7½ per cent off list as commission and the trade got a discount of 7½ per cent from the list. Champion reportedly sold its larger size tins at a list price of Rs. 108.00 for a case of 36 tins. These agents bought and carried stocks of Champion Oats in their godowns for delivery to retailers.

Sales

Sales for Blossom Oats in the two years following improvement of the processing had been irregular and had averaged far below plant capacity. For the six-month period, June-November end, 1963, sales averaged only 83 cases per month.

Costs

Mr. Vora gave the following facts regarding his costs per case as determined from the accounting data of the June-November period referred to above:

Direct Costs per case of 36 tins of 550 gr. each

Material	Rs. 24.12
Packing tins	Rs. 21.60
Other packing materials, wooden case waterproof paper, box strapping pads	Rs. 4.00
Direct Labour [1]	Rs. 5.40

Railway Freight	Rs. 4.80

Overhead Costs

Monthly overhead costs were stated to be as follows

Per month	**Rs**
Rent	165.00
Electricity and Water	50.00
Coal	50.00
Depreciation on Plant @5% (Rs. One lakh investment	500.00
Interest on working capital	250.00
	1,015.00

1. *Mr. Vora's monthly wage bill was Rs. 900.00 but the work force was used at least half the time of another project on which Mr. Vora was engaged. Considering the irregularity of production, the labour cost given is probably as compared with what it would be if the plant were operating at or near capacity.*

When this overhead was allocated against the 500 case sales of the period, the overhead costs came to Rs.12.18 per case.

In the above figures, Mr. Vora did not include any salary for himself

Advertising

From the start of the national distribution the selling agents had urged Mr. Vora to advertise Blossom Oats. For some months, he undertook such advertising in the major cities in which he had sales representation. After spending some Rs. 4,000 without any apparent sales response to justify such expenditure, he ceased his advertising.

While Mr. Vora had suffered considerable losses since the launching of his enterprise, he was still anxious to make a success of it and was willing to put more money into the venture if suggested changes for his marketing gave promise of bringing profitable sales.

<u>Questions for Discussion</u>

1. Should Mr. Vora continue in this business?
2. What are the major problems faced by Vora and Company?

3. What should be Mr. Vora’s strategy with respect to major elements of marketing mix, i.e., product, price, promotion, and distribution?