

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**B.Com.(Hons) Summer 2018 – 19 Examination**

**Semester: 6**  
**Subject Code: 16103351**  
**Subject Name: Marketing Case Studies**

**Date: 08/04/2019**  
**Time: 10:30am to 01:00pm**  
**Total Marks: 60**

**Instructions:**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as directed.****A) Multiple choice type questions. (Each of one mark) (06)**

1. \_\_\_\_\_ distribution is limited to a small number of intermediaries who gain better margins.
 

a) Exclusive	b) Intensive
c) Selective	d) None of the above
2. Which is phase-IV in writing a Case Study?
 

a) Getting Started	b) Writing your Case
c) Preparing for the interviews	d) Obtaining Data
3. What does the letter 'M' stands for in DAGMAR Model?
 

a) Money	b) Measure
c) Market	d) None of the above
4. \_\_\_\_\_ focus primarily on the individual development, cognitive behavior, personality and interpersonal interactions of a particular subject.
 

a) Organisational theories	b) Social theories
c) Individual theories	d) None of the above
5. \_\_\_\_\_ typically utilize one or two instances of an event to show what a situation is like.
 

a) Exploratory Case Studies	b) Illustrative Case Studies
c) Cumulative Case Studies	d) Critical Instance Case Studies
6. Holistic analysis does not attempt to break the evidence in to parts, but rather to draw conclusions based on the text as a whole.
 

a) True	b) False
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**B) Definitions / One-liners / Terms. (Each of one mark) (06)**

1. Define Product.
2. Define Case Studies.
3. What is Innovation?
4. Define Power.
5. Define Penetration Pricing.
6. Give two examples of Unsought goods.

**Q.2 Numerical / Short Note Questions. (Each of 04 mark) (12)**

1. Write a note on Promotion Mix.
2. Explain various Powers used in Marketing channels.
3. Explain the different types of Consumer goods.

**Q.3 Answer the following. (Any Three) (18)**

1. Write a detail step by step procedure of Writing a Case Study.
2. Explain the various types of Pricing.
3. Explain the role of Intermediaries in a value chain.
4. Study the Case and Answer the Questions.

**FREE FLIGHTS PROMOTION ENDS IN DISASTER**

The Hoover company's attempts to sell more vacuum cleaners by offering an incentive of free flights has become a legendary disaster in the field of sales promotions. An

examination of the case is useful for highlighting some of the problems of planning, implementing, and monitoring sales promotions.

During the early 1990s, Hoover was faced with a period of economic recession in which discretionary expenditure on consumer durables was held back. In these conditions, most vacuum sales were replacements for worn out machines or first-time buys for people setting up home. The challenge was to increase the sales of machines bought to upgrade existing equipment.

The company came up with the idea of offering free airline tickets to America for anybody buying one of its vacuum cleaners. For many people, a holiday in the USA may have been perceived as an unnecessary and unaffordable luxury during a period of recession, but one that might be justified if it came free with the purchase of an 'essential' vacuum cleaner.

The immediate result of the sales promotion was to boost the company's sales of vacuum cleaners to more than double the level of the previous year. So far so good, but then serious problems set in. The first problem occurred when Hoover could not satisfy demand for its vacuum cleaners and had to resort to paying its staff overtime rates of pay in order to increase supply. It should be remembered that the initial objective of the promotion was to utilize existing spare capacity rather than adding to that capacity. The company had carried out insufficient research prior to launching its incentive. Had it done so, it may have reached the conclusion that the incentive was too generous and likely to create more demand than the company could cope with.

A second problem occurred during subsequent periods when sales fell to below their pre-incentive levels. Many people had simply brought forward their purchase of a vacuum cleaner. Worse still, many people had bought their cleaner simply to get the free tickets, which at £70 for a cleaner with a free £250 ticket made sense. These people frequently disposed of their cleaner as they had no need for it. The classified ads of many local newspapers contained many adverts for 'nearly new, unused' vacuum cleaners at discounted prices and this further depressed sales of new machines once the sales promotion had come to an end.

A third and more serious problem occurred when large numbers of buyers tried to use their free flight vouchers. All sales promotions are based on an assumption of take-up rates, which can be as low as 5-10 per cent. Anything higher and the cost of the incentives actually given away can wipe out the benefits arising from increased sales. In this case, Hoover had carried out insufficient pre-testing of the sales promotion in order to assess the likely take-up rate and was surprised by the actual take-up which subsequently occurred. In an attempt to control costs, the company became notorious for its attempts to 'suppress' take-up of free flights. Many claimants complained that telephone lines were constantly busy and, when they did get through, they were offered the most unattractive flights possible. It was reported that claimants from the south-east of England were only offered flights departing from Scotland and those from Scotland only offered flights from London, done to reduce the attractiveness of the free offer. These activities attracted high levels of coverage in the media and left a once highly respected brand as one with a perception of mistrust. Five years after the initial débâcle, the Hoover Holiday Pressure Group continued to be an awkward reminder for the company.

The free flights promotion eventually cost Hoover a reported £37 million in redemption charges, without bringing about any long-term growth in sales. With appropriate pre-testing, these costs could have been foreseen. Worse still, the company's brand image had been tarnished in a way that would take many years-if ever-to recover from.

## CASE STUDY REVIEW QUESTIONS

1. What are the inherent problems for a company such as Hoover in assessing the effectiveness of sales promotion activity?
2. Identify a programme of research that Hoover could have undertaken in order to avoid the costly failure of its free flights promotion.
3. What alternative methods of promotion might have been more suitable to achieve Hoover's objective of utilizing spare capacity during a period of economic recession?

### Q.4 Answer the following. (Any two)

(18)

1. Discuss steps in New Product Development.
2. Explain how marketing mix should be changed during various stages of PLC.
3. Study the Case and Answer the Questions.

## SMOKING MAY BE BAD, BUT TOBACCO COMPANIES' PROFITS HAVE NEVER LOOKED SO GOOD

After the arms industry, the tobacco industry must be one of the most politically incorrect business sectors. Yet during the late 1990s tobacco companies in the UK appeared to be very popular with the Stock Market, outperforming the FTSE all-share index by 36% during 1998, and continuing to hold their ground in the falling stock market conditions from 2001. This was despite an EU directive which finally put an end to all tobacco advertising in the UK from March 2003.

Tobacco companies now place less emphasis on fighting the health lobby, and no longer pretend that tobacco is anything other than harmful. But fortunately for the tobacco firms, nicotine is an addictive drug. Although cigarette consumption has declined in most developed countries, it is reported that one person in four still smokes. Moreover, among some groups, especially young women, the rate of smoking has shown some increase in recent years. Tobacco companies also benefit from periods of economic recession. While job cuts may be bad news for most consumer goods and services companies, it has historically also been linked to an increase in smoking.

The tobacco companies have survived many years of attempts to control tobacco sales throughout Europe, but the EU directive banning all tobacco advertising made it increasingly difficult for tobacco companies to get new brands established. The big three UK companies, BAT, Gallagher and Imperial Tobacco looked at strengthening their brands with joint ventures. BAT linked up with the Ministry of Sound nightclub to push its Lucky Strike brand, while Gallagher tried to promote the Benson and Hedges name through a branded coffee. One industry expert expected to see an army of cigarette girls pushing cigarettes in pubs and corner shops, thereby trying to get round controls on advertising.

While promoting cigarettes in Europe has been getting more difficult, tobacco companies have been keen to exploit overseas markets where measures to protect the public are less. In the countries of Eastern Europe, the companies have pushed their products, hoping to capitalize on the hunger for western brands. Gallagher has a plant in Kazakhstan and has heavily promoted its Sovereign brand in the former Soviet Union. The biggest opportunities for western tobacco companies however are in China which is the world's biggest market in terms of volume. The Chinese smoke 1.7 trillion cigarettes a year, making the British market of just 77 billion look quite small. State

owned brands such as Pagoda dominate the market with an estimated 98% market share. With import duties of 240%, most foreign cigarettes enter the Chinese market through unauthorized channels, including those smuggled by the Chinese army. Greater trade liberalization will inevitably give freer access to the Chinese market for western tobacco companies. These will undoubtedly pay significant levels of taxes to the authorities, so a financially strained government may be unwilling to reduce tobacco consumption too much, especially when smoking is so pervasive through the population.

### **CASE STUDY REVIEW QUESTIONS**

1. How effective is an EU ban on tobacco advertising likely to be for reducing smoking? What measures could governments take to bring about a significant reduction in smoking?
2. What factors could explain a booming share price at the same time as Europeans' attitudes toward smoking are becoming more hostile?
3. How would you defend a western tobacco company in its attempts to develop the Chinese market for cigarettes?