

K.J. Somaiya Institute of Management Studies & Research
Course: PGDM-A & B / I.B. / R.M./COMM (Batch2016-18), Tri-I
Sub: Marketing Management-I
(End Term Examination)

Time: 3 Hours

Marks: 50 Date of Exam: 28/09/2016

Note:

- 1. Section A is compulsory.**
- 2. From Section B, attempt any TWO.**
- 3. Elaborate your answers with use of suitable theoretical concepts and relevant industry examples**

Section A

QUESTION 1 (20M) CASE STUDY

COCA-COLA LIFE - THE REDUCED CALORIE COLA

The Demonization of Sugar

Lately, sugar has endured a tide of negative public opinion as the amount of scientific research linking the rise in sugar intake with obesity has increased. Governments are becoming increasingly concerned about the rising cost of illnesses such as type 2-diabetes and cancer, which have risen alongside weight gain. Recent media coverage and public discussion are now laying the blame for the growth of obesity and other health risks principally on sugary foods and drinks.

Sugar is now seen as a health risk by most, and as toxic as tobacco by some. Indeed, childhood obesity specialist Dr Robert Lustig declared fructose to be a “poison” in his 2009 lecture “Sugar: The Bitter Truth” and other papers, and while Lustig’s views may be extreme, there have since been a huge number of media reports warning of the dangers of sugar overload. This is leading to the introduction of an onslaught of voluntary and legal measures to help control intake of food items containing excessive sugar.

The new attitude is driving changes in consumption trends, including a conscious effort by consumers to either reduce their intake of sweet foods and drinks, or shun sugar completely. Meanwhile, manufacturers are being forced to tackle the problem in various ways, including gradually reducing the content of their products, using alternative types of sweetener, or downsizing portions.

The facts about Sugar

In the media, sugar appears to have taken over from fat as public enemy number one. Hardly a day goes past without a report on its negative effects. The question is, to what extent is sugar (rather than substances such as saturated fats, salt or carbohydrates) the cause of obesity, and how serious the problem is?

A Burden on Healthcare Systems

Over the past decade or so, obesity has become a major public health issue in many countries, to the extent that it is has been described by the WHO as reaching epidemic proportions. This is placing an increasingly heavy burden on healthcare authorities, as being significantly overweight is linked to a wide range of health problems, including diabetes, heart disease, high blood pressure, arthritis, gallstones, cancers such as breast and prostate, infertility and depression.

The obesity issue is attracting much media attention and is a major focus of governments wishing to relieve the national health burden by encouraging citizens to lose weight. In some countries, campaigns to promote exercise are as important as those to curb smoking and excessive consumption of alcohol.

The US has highest levels of Obesity

According to Euromonitor International's Countries and Consumers data, almost 41% of American adults were classified as obese in 2013. However, the problem is not confined to the US. The Latin America region is also increasingly prone to obesity, with rates reaching 35% in Venezuela and 34% in Mexico. The UK leads in Europe, with 27% of its adult population being termed as obese in 2013.

While obesity levels are still relatively low throughout Asia, they are beginning to rise sharply in many areas of the region, as richer consumers switch to more refined foods and Western-style diets. In China, the proportion of people classed as obese rose from 5% in 2008 to almost 8% in 2013. In South Korea, the jump was even stronger, from 4% to 9% over the same period. India ranked lowest in the world, with an obesity rate of less than 3%. However, its population is becoming increasingly overweight as a result of rising affluence.

New Lobby Group puts Pressure on Sugar Industry

The campaign group Action on Sugar (AoS), led by industry experts, was formed in the UK in early 2014 with the aim of getting the global food industry and governments to agree that a high sugar diet is harmful and to bring about a reduction in the amount of 'hidden' sugars in processed foods. The campaign will follow a similar framework to the Consensus Action on Salt and Health (CASH), which has led to the UK industry slashing salt levels by 15% in 10 years.

Consumer pressure groups

Various consumer groups – particularly in the US – are also putting pressure on governments and industry to take action to help reduce overconsumption of sugar. For example, consumer advocacy group Center for Science in the Public Interest (CSPI) petitioned the FDA in early 2013 to put "safe levels" on added sugars in drinks and to encourage the food industry to reduce sugar content in breakfast cereals, baked goods and other foods.

In 2014, Citizens for Health (CFH) petitioned the FDA to force food manufacturers to be more transparent when it comes to stating which types of sweeteners are added to their products. CFH claims that the FDA's proposed new labeling rules will not fully inform consumers and may make it difficult for them to differentiate between natural sugar and other sweeteners, such as HFCS.

Legislative Measures

In many places, legislation has been introduced, or is currently under discussion, to help curb intake of sugary foods. Measures include issuing tobacco-style health warnings, introducing sales taxes, banning junk foods in schools, placing restrictions on advertising to children, and cutting portion sizes.

A recent BBC survey found that 60% of UK adults would support health warnings similar to those on cigarette packets on food packaging; 70% would support banning sugary drinks in schools or limiting the amount of sugar allowed in certain foods; and 45% would support a tax on sugary drinks.

Developments in Low-Calorie Sweeteners: Stevia benefits from its Natural Origins

Product development regarding low-calorie alternatives to sugar has a big part to play in demand for sweet foods and drinks. Until recently, high-intensity sweeteners have suffered from their artificial image and a lack of consumer trust in synthetic ingredients. Aspartame,

in particular, has come under fire, despite a number of scientific studies suggesting that it is safe. As a result, food and drink giants are scrambling to develop naturally sweetened zero- or low-calorie formulations, and stevia has emerged as a clear winner.

Consumers are better educated about nutrition

Weight management remains a key concern for public health, as well as for individual consumers. People are becoming increasingly aware of the need to maintain a healthy weight to prevent the onset of numerous diet-related diseases, such as cardiovascular diseases and diabetes. This means controlling sugar, fat and carbohydrate intake.

Euromonitor International's Global Consumer Trends Survey 2013 revealed that over half of consumers (53%) are involved in some sort of weight loss or management system, with 44% actively monitoring their weight and 23% on a formal diet.

The survey confirmed that dieting and weight management are both more common among women, of whom 29% are on a diet (compared with just 17% of men) and 48% are actively monitoring their weight (compared with 40% of men).

While formal diets become less common as consumers age, overall weight management becomes more of a priority. Social pressures to maintain a certain weight may fade with age, leaving health, rather than quick results, as the motivation for achieving a good diet.

Almost half of women seek products with limited or no added sugar

Looking at attitudes towards sugar specifically, Euromonitor International's Global Consumer Trends Survey 2013 found that minimizing sugar is high on the agenda for many consumers. Indeed, given a list of ingredients they specifically look for on food labels, limited or no added sugar ranked highest overall, with 42% of respondents selecting this ingredient. Women are far more likely than men to look for products that are low in sugar (46%, compared with 37% of men).

The study revealed that older consumers are the most concerned about sugar content. While only 35% of respondents aged 15-29 said they seek out products low in sugar, this rose to 51% for the over 60s.

Market Segmentation of the Soft Drink Market

The soft drinks market spans from bottled water to sugar –sweetened soft drinks, with cola being the dominant flavor. On one end, bottled water is positioned as a tasteless and sugar free option to satisfy the basic need of thirst. Bottled water represented the health oriented consumer segment. Consumers in this segment valued a sugar free, healthy drink that supported their healthy lifestyle.

Sugar Sweetened soft drinks were positioned on the other end of the spectrum. They were targeted towards taste oriented consumers. Consumers in this segment valued the strong, natural and pure taste of sugar. Coca Cola Classic – branded *Red* and Pepsi Classic branded *Blue* represented the original cola brands for the key two cola manufacturers. The drinks contained over 10 gm of sugar and over 40 calories per 100 ml. Over the last decades, Pepsi and Coca Cola have launched more than a dozen cola products including caffeine free versions and cherry or vanilla flavored versions.

Based on the amount of sugar content, two product categories had emerged within the cola segment of the carbonated soft drinks market.

Full sugar drinks – Coca Cola Classic and Pepsi Classic

No Sugar Drinks: Diet Coke and Diet Pepsi, and Pepsi Max

Diet versions of both brands were branded silver, which contained no sugar and minimal calories. In 1993 and 2005 Pepsi Max and Coke Zero respectively were launched. Both were sugar free and calorie free. The No Sugar soft drinks targeted hybrid consumer segment-consumers who valued both, the sweet taste of their soft drinks as well as their individual health.

All sugar free drinks are artificially sweetened using acesulfame potassium and/or aspartame. A sugar substitute that contained very few calories and was approximately 200 times sweeter than sugar. Aspartame was mainly made of aspartic acid and phenyl alanine. However, some people had to avoid phenyl alanine as their metabolism could not break it down.

The Launch of Coca - Cola Life

Coca-Cola Life is a reduced-calorie cola sweetened with a blend of sugar and stevia leaf extract - a calorie-free sweetener which is 200- 300 times sweeter than table sugar. It contains 35% fewer calories per fl oz compared to other leading colas.

Nutrition Facts: Not a significant source of fat cal., saturated fat, trans fat, cholesterol, fiber, vitamin A, vitamin C, calcium and iron.

-Percent Daily Values are based on a 2,000 calorie diet.

-Serving Size: 1 Can, Amount Per Serving = Calories 90,

-% Daily Value* - Total Fat 0g 0%, Sodium 35mg 1%, Total Carb. 24g 8%, Sugars 24g, Protein 0g, Caffeine Content: 28 mg, Coca-Cola Life contains 90 calories per 12 fl oz compared to 140- 150 calories in 12 fl oz of leading colas.

INGREDIENTS: Carbonated Water, Cane Sugar, Caramel Color, Natural Flavors, Phosphoric Acid, Potassium Benzoate (To Protect Taste), Caffeine, Stevia Leaf Extract. A 330ml can of Coke Life contains 89 calories, compared to 139 calories in a regular can of Coca- Cola.

This product includes ingredients sourced from genetically engineered (GE) crops, commonly known as GMOs, which the *FDA regards as safe*.

Coca-Cola Europe's president James Quincey said: "[Coca-Cola Life] complements our existing brands and is well positioned to meet changing lifestyle trends, providing people with a great tasting, lower calorie cola sweetened from natural sources."

Coca-Cola says it is pleased with the product's performance so far, pointing out that it is helping the brand reach its target of shifting consumers to lower and no calorie alternatives to Coca-Cola.

Bobby Brittain, Coca-Cola's UK marketing director, told Marketing Week: "We're very pleased with the performance of Coca-Cola Life. Consistent with our strategy, we launched the variant to increase the choice we offer customers, shoppers and consumers and it is encouraging to see that Kantar data continues to show in the first year that over half of the volume switched into Life has come from regular carbonated soft drinks.

With the launch of Coca-Cola Life and our continued investment focus on Coca-Cola Zero and Diet Coke we are confident we can achieve our commitment that half of the Coca-Cola products we sell will be lower and no calorie by 2020."

In its first year, Coke Life has brought in £28.9 million in value sales, with volume sales reaching 24 million litres, suggesting it has a core group of loyal buyers.

"That has to be classified as a huge new product. The vast majority of new products would

not exceed £5m in their first year as they operate in such an enormous category,” he comments.

“This is an example of a product that has sold a lot in money terms, has a core of loyal buyers and is getting a substantial premium over its nearest comparable product Diet Coke. All these things are very good.”

“There is a solid core of people who like the product and want to pay extra for it. Coca-Cola must be pleased, but maybe would have liked that group to be a bit bigger,” says Eales.

Iacobucci (2014) mentioned that as it is difficult for marketers to satisfy all their customers well, the better approach for ensuring the marketing success would be to target specific group of customers and serve them well.

- a) Why did Coca-Cola make the decision to develop and launch Coke Life? What external and internal factors led to that decision?
- b) What is Coke Life's value proposition?
- c) Which customer segment should Coke Life target and why? Describe an ideal consumer profile?
- d) How does Coke Life create value for its target customers? What should be its positioning strategy?

QUESTION 2 (10M)

Write Short notes on **ANY ONE** of the following:

1. Difference between Psychographic and Behavioral Segmentation
2. Elaborate Porter's five forces analysis or BCG Matrix or Ansoff Matrix(Any one out of three)
3. Challenges in New Product Development

Section B

QUESTION 3 (10 M)

Samsung revealed its latest smart watch, the Gear S3, adding water resistance to its wearables for the first time. Samsung's next smart watch will come with GPS capabilities and the ability to call or text for help by triple-tapping a side button.

Sony was next in line to show off its latest bit of wrist-worn kit. The Japanese company took the wraps off its “FES Watch U”. Created by the Sony-owned Fashion Entertainment brand, the FES Watch U's monochrome e-ink face and strap means it is customizable from the watch face right down to the strap, letting users pick from a broad range of designs activated through a connected app.

Fossil teamed up with mobile chip firm Qualcomm to unveil its latest fashion-cum-tech accessories, the Fossil Q Marshal and Q Wander smart watches, both of which are running Android Wear.

Dutch company TomTom didn't disappoint either and introduced a host of new wearable devices, including the Adventurer: an update to the Spark smart watch, which is renowned for being good all-rounder when it comes to fitness wearables.

The Apple Watch Series 2 is here, and it looks a lot like the original Apple Watch. It's still a

square device that can tell time, display notifications, and track fitness stats. But there are some big additions, including built-in GPS for more accurate distance and pace measuring, a waterproof shell so you can swim with it, a brighter display, and a faster processor thanks to the new Apple S2 chip.

Map any one of these new product introductions on the concept of levels of product hierarchy.

QUESTION 4 (10 M)

Identify the stage in Product Life Cycle and suggest suitable measures to prolong the Product Life Cycle in India: (ANY TWO):

1. WildCraft trekking gear
2. Dant Kanti from Patanjali Ayurved Ltd.
3. Fitbit fitness band
4. Domino's Pizza restaurant chain

QUESTION 5 (10 M)

Explain consumer buying behavior process for ANY ONE of the following categories, elaborating the five stages in the consumer buying decision process.

- A) Designer Dress by Manish Malhotra
- B) Luxury Car
- C) Weekend Homes at Beach/Hill Station

QUESTION 6 (10 M)

What type of research should be commissioned in the following contexts and why?

- a) Lemon Tree Group of Hotels wants to determine guest satisfaction with the hotel's luxury facilities, location, room quality, and range of services.
- b) Nintendo (which published Pokemon Series of Video Games) wants new ideas for new online games for a youth audience.
- c) P & G, makers of Ariel Detergent, wants to test a new packaging design for 6 months to see if it is more effective than the existing version.

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