MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BBA 201: PRINCIPLES OF MARKETING

DATE: **TIME:**

INSTRUCTIONS:

Answer Question one and any other two Questions.

COCA COLA INDIA'S THIRST FOR THE RURAL MARKET: 'THANDA' GOES RURAL

In early 2002, Coca-Cola India (CCI) launched a new advertisement campaign featuring leading bollywood actor - Aamir Khan. The advertisement with the tag line - ***'Thanda Matlab Coca-Cola'*** was targeted at rural and semi-urban consumers. According to company sources, the idea was to position Coca-Cola as a generic brand for cold drinks. The campaign was launched to support CCI's rural marketing initiatives.

With flat sales in the urban areas, it was clear that CCI would have to shift its focus to the rural market.

However, the poor rural infrastructure and consumption habits that are very different from those of urban people were the two major obstacles to cracking the rural market for CCI. Because of the erratic power supply most grocers in rural areas did not stock cold drinks. Also, people in rural areas had a preference for traditional cold beverages such as 'lassi' and lemon juice. Further, the price of the beverage was also a major factor for the rural consumer.

CCI's Rural Marketing Strategy

CCI's rural marketing strategy was based on three A's - Availability, Affordability and

Acceptability. The first 'A' - Availability emphasized on the availability of the product to the customer; the second 'A' - Affordability focused on product pricing, and the third 'A'-Acceptability focused on convincing the customer to buy the product.

Availability

Once CCI entered the rural market, it focused on strengthening its distribution network there. It realized that the centralized distribution system used by the company in the urban areas would not be suitable for rural areas. In the centralized distribution system, the product was transported directly from the bottling plants to retailers.

However, CCI realized that this distribution system would not work in rural markets, as taking stock directly from bottling plants to retail stores would be very costly due to the long distances to be covered. The company instead opted for a hub and spoke distribution system.

Under the hub and spoke distribution system, stock was transported from the bottling plants to hubs and then from hubs, the stock was transported to spokes which were situated in small towns. These spokes fed the retailers catering to the demand in rural areas.

Affordability

A survey conducted by CCI in 2001 revealed that 300 ml bottles were not popular with rural and semi-urban residents where two persons often shared a 300 ml bottle. It was also found that the price of Rs10/- per bottle was considered too high by rural consumers. For these reasons, CCI decided to make some changes in the size of its bottles and pricing to win over consumers in the rural market.

In 2002, CCI launched 200 ml bottles (*Chota* Coke) priced at Rs 5. CCI announced that it would push the 200 ml bottles more in rural areas, as the rural market was very price-sensitive. It was widely felt that the 200 ml bottles priced at Rs. 5 would increase the rate of consumption in rural India. Reports put the annual per capita consumption of bottled beverages in rural areas at one bottle as compared to 6 bottles in urban areas.

The 200 ml bottles priced at Rs. 5 would also make CCI competitive against local brands in the unorganized sector. It was reported that in the states of Rajasthan and Gujarat the local cola brands such as *Choice* and *Tikli* cost only half the price offered by CCI, which gave them the advantage in garnering the major market share before CCI came out with *Chota* Coke. CCI also targeted the rural consumer aggressively in its marketing campaigns, which were aimed at increasing awareness of its brands in rural areas.

Acceptability

The initiatives of CCI in distribution and pricing were supported by extensive marketing in the mass media as well as through outdoor advertising. The company put up hoardings in villages and painted the name Coca Cola on the compounds of the residences in the villages. Further, CCI also participated in the weekly mandies by setting up temporary retail outlets, and also took part in the annual haats and fairs - major sources of business activity and entertainment in rural India.

CCI also launched television commercials (TVCs) targeted at rural consumers. In order to reach more rural consumers, CCI increased its ad-spend on Doordarshan. The company ensured that all its rural marketing initiatives were well-supported by TVCs. When CCI launched Chota Coke in 2002 priced at Rs. 5, it bought out a commercial featuring Bollywood actor Aamir Khan to communicate the message of the price cut and the launch of 200 ml bottles to the rural consumers. The commercial was shot in a rural setting.

QUESTION ONE (30 MARKS)

a) Describe the target market for Coca Cola's Thanda brand. (6 marks)

b) Discuss the marketing mix variables that were focused on in the company's 3 A marketing strategy (9 marks)

c) Discuss the four challenges that were to face CCI's rural marketing strategy. (10 marks)

d) Discuss the importance of data analysis while explaining the preliminary steps that were taken to analyze data that was collected from the survey that was conducted by CCI in 2001 (5 marks)

QUESTION TWO (20 MARKS)

a) Discuss how the following marketing management philosophies are used by different organizations.

   i. Societal Marketing Concept

   ii. Selling Concept (6 marks)

b) You have been given Ksh. 55,000 and you are contemplating of buying a laptop. Discuss the process you would go through before you acquire a laptop of your choice. (10 marks)

c) Discuss the type of buying behavior that a consumer who is buying the following products is facing:

i. Baby’s diapers (5 marks)

ii. House (5 marks)

QUESTION THREE (20 MARKS)

a) Product planners need to think about products and services on five levels. Discuss these levels. (10 marks)

b) Discuss any five functions of the channel members (10 marks)

QUESTION FOUR (20 MARKS)

a) Services are difficult to market because of their unique nature. Discuss the reasons behind this with clear examples. (10 marks)

b) Discuss any five requirements of effective market segmentation (10 marks)

QUESTION FIVE (20 MARKS)

a) Discuss four positioning strategies that can be used by an organization. (4 marks)

b) Discuss four criteria that a good research report should satisfy (8 marks)

c) Products usually go through some stages in their life cycle. Discuss these stages (8 marks)