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EASTERN UNIVERSITY, SRI LANKA

Faculty of commerce and Management

PART II EXAMINATION IN BACHELOR OF BUSINESS ADMINISTRATION/COMMERCE - 1998/99
(Nov/Dec) 2000

BBA /COM 303 Marketing Management

Time: 03 Hours

Answer five Questions including the Question No:1

01.

COTT CORPORATION, COLA AND COPYCATTING

The Cott Corporation is a Canadian company that specializes in own label manufacture. It deals with over 90 retail chains worldwide. in countries that include Canada. the USA. Japan. France. Spain and the UK. One of its objectives is to challenge Coca-cola and Pepsi by developing a share of the Cola market through own label products. In some region of its home market. Canada for example. it has managed to take a 30 percent share. Cott has developed a number of slightly different cola concentrates. varying in flavour or sweetness etc. A retailer will choose which one it prefers and then will have exclusive rights to that particular concentrate in its own market. The concentrate is then shipped to bottling plant. which turns it into a drinkable carbonated liquid. and bottles or cans it to the retailer's specification.

By concentrating on own label rather than trying to establish a manufacturer brand. Cott gains several advantages. The main one is that its marketing and advertising spend is minimal. This is particularly important in a market in which the two key players. Coca-Cola and Pepsi. Commit such vast resources to marketing communication. In the UK alone. Pepsi and Coca-Cola spent £ 6.2 mn and £ 8.5 mn respectively on their core brands in 1993. this would make it very difficult and very expensive for a new manufacturer brand to make any impact on its launch. Because Cott's products are own brands. the responsibility for promotion lies with the retailer rather than with Cott. The brand can benefit from the retailer's established corporate image and thus there are not the same problems of having to create a brand image and develop a market position from nothing. There can also be more emphasis on point of sale promotion. and the own brand product can be given adequate shelf space. Similarly. because the product belongs to the retailer. Cott can benefit from the retailer's logistic systems to get the product into the distribution channel.

The retailer benefits too. and not just from having an exclusive product that offers customers a wider choice than just Coca-Cola or Pepsi. Cott's cola concentrates are about one-sixth the price of Coca-Cola or Pepsi. and overall. the retailer can earn around 15 percent more profit. In Canada. Coca-Cola and Pepsi both lowered their prices and widened retailer margins. but these responses were not sufficient to overcome the attractions of the Cott own brands.

The first Cott brand to hit the UK was Sainsbury's Classic Cola in 1993. Supermarkets had not had notable success with own-label colas up until then. In the take-home market. Coca-

Cola had 60 percent of the market. Pepsi over 20 percent and retailer own labels less than 10 percent. To try to overcome the shoppers' resistance to own label colas. Sainsbury's decides to go for a relatively discreet approach in that the cola was given a brand identity and character of its own. Although the Sainsbury's name was clearly visible on the packaging. and although everybody knew that it was an own-label product. the Classic Cola brand name along with a packaging design and colour scheme that was remarkably similar to that of Coca-Cola. persuaded the public that this was a quality product worth trying and not just another second-rate supermarket own label. Sainsbury's also threw itself wholeheartedly into the launch. with substantial advertising in the run-up to it. At the time of the launch. Classic Cola dominated Sainsbury's shelf space and was offered at introductory prices that significantly undercut the competition to generate trail of the product. The launch was extremely successful. Nine weeks after the launch. Classic Cola had captured 25 percent of the UK's take-home cola sales. and within Sainsbury's stores. accounted for 75 percent of sales with Coca-Cola dropping from 44 percent to 9 percent of Sainsbury's cola sales.

Much of this shift in share was. of course. a result of the launch hype and was bound to settle down. Even so. by August 1994. Sainsbury's still held nearly 16 percent of the take-home cola market. and Coca-Cola was down to around 40 percent with Pepsi just over 15 percent. By the autumn of 1994. Cott had two more colas on the UK market: Woolworths' Genuine American Cola. and Virgin Cola. a joint venture between Cott and Virgin. and initially sold exclusively through Tesco supermarkets.

One issue that the launch of Classic Cola brought to the force was that of copycat brands. that is. retailer own-label products that look very similar to established manufacturer brands and often even have similar sounding names. Coca-Cola objected to classic cola's can which in Coca-Cola's opinion. looked so similar to Coca-Cola's that shoppers might easily confuse the two. Under pressure from Coca-Cola. Sainsbury's did redesign the packaging to differentiate it further from Coca-Cola. but nevertheless. retained the distinctive red and white colour scheme. Bot sides quoted research to support their point of view. Sanisbury's maintained that their product could not possibly be mistaken for Coca-Cola. whereas Coca-Cola said that its surveys showed that consumers were easily confused. Similarly. as part of the wider debate on copycat brands generally. the brand manufacturers' independent survey showed that over 20 percent of shoppers had actually bought own labels in mistake for manufacturer brands and that 42 percent had at least picked up own labels from the shelf thinking that they were manufacturer brands. In contrast. the retailers' independent survey showed that 70 percent of shoppers never get the two types of brand confused.

Questions:

01 (i) Why did Cott choose to challenges Coca-Cola's and Pepsi's dominance through own- label products rather than through a mainstream manufacturer brand? Explain.

(07 marks)

(ii) Given that both Coca-Cola and Pepsi are good quality. popular brands. why should a retailer such as Sainsburg's want an own-label Cola?

(07 marks)

(iii) What contribution do you think the branding and packaging strategy adopted by Sainsburg's made to the success of the product launch? Was Coca-Cola right to object to the packaging similarity to its own? Why?

(07 marks)

(iv) What are the risk arising from copycatting for:
(a) the retailer and
(b) the manufacturer whose brand has been copycatted?

(07 marks)

02) (i) Are the decision processes. the same for major and minor purchases? Which steps differ and why do they change?

(06 marks)

(ii) Select a product used frequently and describe how competitors forces. consumers demand. the distribution chain and nature of product could influence its price?

(06 marks)

(iii) Define main types of reference groups. In regard to each type. think of examples that relate to you as a consumer and analyses how this might affect your own buying behaviour?

(06 marks)

03) (i) Examine each stages of the product life cycle. Which stage do you think is the most important? Which stage has the highest risk? Which stage/s seems to hold the greatest profit potential? Which stage would seem to need the greatest amount of "hands on" Management? Explain your thoughts behind each of your answers?

(10 marks)

(ii) Consider a purchase you have made recently and identify the factors. which influenced your decision to buy?

(08 marks)

04) (i) Explain briefly how marketing concept differs from other concepts and what are the advantages of closely following the marketing concept? Are there any disadvantages?

(06 marks)

(ii) Why are many people willing to pay more attention for branded product than for unbranded products? What does this tell you about the importance of branding? Briefly explain the process of branding?

(06 marks)

(iii) Describe the sequential steps of the marketing research process and briefly outline the tasks of each step?

(06 marks)

05) (i) Many consumers purchasing situation involves complex buying decision. Describe a situation. which illustrate this point and explain how the five-stage model of buying process is relevant to this situation?

(08 marks)

(ii) Should a marketing manager give more weight-age for packaging? Elaborate this with practical examples?

(05 marks)

(iii) In what ways can technology influence the marketing environment?

(05 marks)

06) (i) What do you understand by the term "buying centre"? Under what kind of situation do you think firm should set up this form of buying?

(08 marks)

(ii) Analyze the relevant factors that would help to determine company's promotional mix?

(05 marks)

(iii) What is the role of channels of distribution in the supply of goods and services to the consumers?

(05 marks)

07) (i) "Marketing segmentation and product differentiation are really two sides of the same coin and business seek to match the product to market segment" How true do you think this is a case in marketing? Illustrate your answers with relevant examples?

(10 marks)

(ii) List and evaluate factors. which a marketing manager must take into account when setting price for his product?

(08 marks)

08) (i) Define what is meant by the term "Marketing Mix" and explain its significance to marketing management with example?

(06 marks)

(ii) Name the internal and external factor that influence the organizational buyer's purchasing decision and briefly explain with relevant example?

(08 marks)

(iii) What is the observational research and in what circumstances might it be more appropriate than interview or surveys?

(04 marks)

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