

# Cases in Marketing

**SBS – BBA - ACC**

**Abu Dhabi - Assignment 2020**

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| STUDENT ID |  |  |  |  |  |

UNIT TITLE / CODE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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## GENERAL INSTRUCTIONS

* All assignments are to be submitted **16th April 2020** on to [examinationboard@atmsedu.org](mailto:examinationboard@atmsedu.org) and cc to [azrafatima@atmsedu.org](mailto:azrafatima@atmsedu.org)[,](mailto:afatima@atmsedu.org) [assignmentsubmission2019@gmail.com](mailto:assignmentsubmission2019@gmail.com)
* If assignment is not submitted on date, will follow with penalty of 10% deduction of marks for every day.
* Similarity between students work is strictly not accepted, any student found with similar work will be graded Zero and fail for the course. However, Plagiarism is an academic offence and will not be tolerated under SBS
* Assignment once submitted to exam board is final for marking.
* Total 100 marks

## GUIDELINES FOR ASSIGNMENT

1. If assignment is Question & Answer based then.
   * Introduction is needed for each question.
   * Question has to be answered based on the mark allotted for each question with references if any idea or information is taken from other source.
2. If assignment is case based then,
   * Executive summary
   * Table of content
   * Body of assignment (questions related to case need to be answered)
   * Conclusion / Recommendation if any
   * References (in-text + citation) to be used

## Total Marks / 100

**PLAGIARISM**

Plagiarism is a form of **cheating**, by representing someone else's work as your own or using someone else's work (another student or author) without acknowledging it with a reference. This is a serious breach of the Academic Regulations and will be dealt with accordingly. Students found to have plagiarised can be **excluded from the program**.

Plagiarism occurs whenever you do any of the following things without acknowledging the original source:

* Copy information from any source (including the **study guide**, books, newspapers, the internet)
* Use another person's concepts or ideas
* Summarise or paraphrase another person's work.

## How do I avoid plagiarism?

To ensure you are not plagiarising, you must acknowledge with a reference whenever you:

* use another person's ideas, opinions or theory
* include any statistics, graphs or images that have been compiled or created by another person or organization
* Paraphrase another's written or spoken word.

## What are the penalties?

The penalties for plagiarism are:

* Deduction of marks,
* A mark of zero for the assignment or the unit, or
* Exclusion from the program.

Plagiarism is dealt with on a case-by-case basis and the penalties will reflect the seriousness of the breach.

## Please note: claiming that you were not aware of need to reference is no excuse.

**Answer all**

**Case Study I**

**HAIER’s foray into International Markets :**

In the late 1990s, the Haier group (Haier) was the leader in the Chinese consumer appliances market (with a 39.7%, 50% and 37.1% market share in refrigerators, air-conditioners and washing machines respectively in December 1998). But deflation in the Chinese economy slowed sales.

ut deflation in the Chinese economy slowed sales growth from 50% in 1998 to around 30% in 1999. Haier decided to look for new markets. Since the US had a large demand for consumer appliances, Haier entered the US market in 1999. Analysts were doubtful about Haier's acceptability to American consumers, as there was a general perception in the US that Chinese goods were of low quality. Haier, however, was confident that with its product differentiation strategy it would be able to create a positive image for its products among the American public. In the early 2000s, the consumer appliances market in the US started hotting up as Haier entered the market. By 2009, Haier products were sold in 9 of the 10 top retail chains in the US.

With Wal-Mart agreeing to stock Haier products, many analysts believed that Haier would be able to shake up the US consumer appliances market. In 2009, Haier had a 6% market share in the US refrigerator market; it stated that it was aiming for a 15% market share by 2015.

The history of Haier dates back to 1984 when Ruimin Zhang (Zhang), a bureaucrat with the local government was asked to take charge of Qingdao General Refrigerator Factory, a state-owned enterprise that is manufacturing refrigerators for sale in China. When Zhang took over the management, the company was on the brink of bankruptcy, with no funds to pay the salaries of its employees or to invest in new product development. When Zhang took charge of the company, he realized that the company did not look after the quality of its products; nor did it bother about customer satisfaction. In 1985, Zhang started importing technology from a German firm and began manufacturing technically sophisticated refrigerators.

Zhang emphasized the elements of customer satisfaction and quality control in the company. In 1985, when a customer complained about the poor performance of his refrigerator, Zhang conducted a quality check and found that out of 400 refrigerators inspected, 76 were defective.

He had all the defective refrigerators destroyed with a sledge-hammer. According to Zhang, this made the workers realize that quality is of only two types - acceptable and unacceptable. In 1989, the company changed its name to Qindao Refrigerator Co. Ltd., and it was restructured with funds raised from banks and government agencies. In 1991, the company once again changed its name to Qindao Haier Group Co. and in the same year it merged with Qingdao Air-conditioner Plant and Qingdao Freezer General Plant. In 1992, the company set up Qingdao Freezing Equipment Co. In the same year, it merged with another previously state-owned enterprise Qingdao Condenser Factory, which manufactured refrigerator condensers.

In the same year it became the first company in China to get ISO 9001 certification, and the company's name was changed to the Haier Group. In 1993, Haier went in for an IPO of RMB 50 million and got listed on the Shanghai Stock Exchange (SSE).

During the mid-1990s, Haier began to grow through mergers and acquisitions. In 1995, it merged with Red Star Electric Appliance Company (and five of its subsidiaries). This company manufactured washing machines. It also acquired Wuhan Elec-appliance Co., which manufactured freezers and air conditioners. Between 1995 and 1997, Haier acquired seven companies and started exporting its goods to foreign markets.

By 1997, Haier was the number one consumer appliances brand in China and the market leader in all its product segments, which included refrigerators, washing machines, microwave ovens and freezers and its revenues were reported at $1.15 billion (10 billion Yuan)...

## Haier's Competitors in the US Market

USA was the world's largest and most competitive market for consumer appliances. The consumer appliances market can be segmented on the basis of products into kitchen appliances and home comfort products. Included in kitchen appliances are products such as dishwashers, disposers, compactors, food preservation appliances, refrigerators, freezers etc.

In the home comfort segment are included products such as room air-conditioners and dehumidifiers. The home appliances market in the US was dominated by American companies, namely GE Appliances (a subsidiary of General Electricals), Whirlpool and Maytag. The only strong foreign player in this market was Sweden's Electrolux. GE Appliances, Whirlpool, Maytag and Electrolux together accounted for around 98% of the 9 million standard refrigerators sales in the US every year. In the 1990s, many Asian players such as LG Electronics and Samsung entered the US market in a big way. The big four companies in the US market concentrated on the high- end market comprising full-size refrigerators and washing machines, since the margins in this segment were high...

## Strategies in the US Market

Haier decided to compete with the US brands on the quality plank rather than on price. However, analysts felt that it would be very difficult for the company to win over American consumers who associated Chinese goods with low quality. To strengthen its presence in the US market, Haier adopted a localization strategy.

It opened a design center in the Los Angeles and employed US designers for designing its products for the US market. Haier also opened a marketing center in New York. The company focused on enhancing consumer awareness about the company and its products. Commenting on Haier's strategy, Zhang said, "We want consumers to feel that Haier is the one company that comes closest to satisfying their needs." For instance, none of the consumer appliances companies in the US offered a compact refrigerator to satisfy demand from college students who could not afford normal size refrigerators...

## Going High-End

Most analysts felt that Haier would feel the real competition only when it entered the high-end market. In the compact refrigerator segment, Haier did not face much competition from established players in the US, who did not focus on the low margin segment.

However, the major US players were keeping track of Haier's activities. Commenting on the competition from Haier, GE Appliances Chief Executive, Jim Campbell said, "I take it very seriously. They may be producing only 200,000 refrigerators per year now, but that's going to get bigger."

On the negative side, some analysts felt that Haier lacked the brand image to make a dent in the high-end segment. They pointed out that in general US consumers were brand-conscious, and this was especially true in the case of high-end products. The lack of a positive brand image in this consumer segment would probably make it difficult for Haier to succeed in the high-end markets. Analysts felt that Haier had an additional weakness in its distribution and service centers...

## Future Prospects

Despite a few reservations, analysts too were, by and large, upbeat about the company because of its strong performance in breaking into the American market in a short time.

Said Nicholas Heymann of Prudential Securities, "Over five years, it could become a force." With quality products and lower prices, it was felt that Haier would be able to garner a sizeable market share in the US. Haier's experience in the geographically vast and diversified Chinese market would serve it well in catering to the US market.

However, a major worry for Haier is how to fund its expansion plans. Increasing competition in the domestic markets is bringing Haier's finances under pressure.

## Questions 1:

What in your opinion is the significance of an organization entering into International Markets for business? Is it advantageous or disadvantageous?

## Questions 2:

Is it possible for an organization like Haier to sustain its competition in brand conscious and quality conscious markets such as US and other countries?

## Questions 3:

What are the countries that you would suggest Haier should concentrate upon? Why?

## Questions 4:

What should be the marketing strategies that Haier should employ in Emerging Markets, Maturing Markets and Declining Markets ? Explain the reasons behind it.

**Case Study II**

**Beckett Organics**

John Beckett enjoys vegetables, so much so that he has given up his full-time job as a lawyer to concentrate on growing and marketing organic vegetables. He started growing vegetables 20 years ago in his back garden and eventually became fully self-sufficient in supplying vegetables for the family. Partly bored with his legal job and tempted by an attractive severance package, John decided he would try to establish his own vegetable supply business. Eighteen months ago he looked around for two fields to lease in which he could grow organic vegetables.

Organic products including vegetables, is a growth market in the UK. Growers must adhere to strict guidelines in order to gain organic certification. Increasing awareness of the problems associated with many pesticides and fertilizers, coupled with an increased interest in healthy eating habits and ‘wholesome’ food, has meant that many consumers are now either purchasing or interested in purchasing organic vegetables. This is true not only of household customers, but in addition, many restaurants are using the lure of organic produce to give them a distinctive edge in the market place.

All this has meant that many of the larger supermarkets in the UK have begun to stock more and more organic produce from what was a relatively specialized market in the 1990s; the market has grown to where overall organic produce accounts for some 12% of the total UK grocery market and in worldwide terms as of January 2010 it accounts for approximately 3% of all food sales. The market for organic vegetables has grown more rapidly than other organic products and it is estimated that by 2014 some 25% of all vegetables marketed in the UK will be organic. This growth has been sustained at a rate of around 20% per year in developed countries. However, organic yields are between 10% and 20% lower than conventional agriculture, with crops like potatoes some 40% lower. Unsurprisingly, this makes organic produce on average around 40% more expensive than non-organic produce.

A.C.Nielsen Co. cite the case of the United States where organic sales eased in the second half of 2009 as middle- and upper-income families have felt the strain of layoffs and declining investment portfolios. Sales in December 2009 were up 5.6 percent, year on year, against a 25.6 percent rise a year earlier.

Organic vegetables offer several advantages over their non-organic counterparts:

* They are generally tastier, and because they are not treated in the same way, are usually fresher than nonorganic products.
* They are good for a healthy lifestyle as they contain no pesticides and chemicals.
* The fact that no pesticides or herbicides are used in their production means that they are much ‘greener’. For example, they help to reduce the problems associated with nitrates in the soil and water supplies.
* On the downside, organic vegetables are generally less uniform, and as far as some consumers are concerned, are less attractive in appearance. This lack of uniformity has also been a problem in the past with supermarket buyers who have traditionally looked for uniformity in fresh products to aid merchandising and marketing in retail outlets.
* Generally, organic vegetables are more expensive than their non-organic counterparts. Currently, on average they are somewhere in the region of 40% more expensive.

In the UK, anyone wishing to claim that their produce is organic, and market it in this way, needs to obtain the approval of the Soil Association, which checks the organic credentials of a supplier. For example in this case, they check the conditions under which the produce is grown and how the seeds used.

Two interesting developments are taking place in the organic produce market. One is the growth of home supplies. This is where the producer supplies direct to the householder. There are a variety of ways of doing this. Some smaller growers use mail-shots and leafleting to build up a client base. They then deliver locally to customers who order from a list. Very often the supplier will simply make up a box of a pre-determined value or weight containing a selection of vegetables which are in season and ready for picking. Other suppliers are using a similar system, but take their orders via the Internet. This is particularly suitable for this type of product as customers can check on a regular basis what is available and order from home. The produce is then delivered at a pre-arranged time.

The second development in the organic produce market is the growth of farmers’ markets. These markets are usually run by local authorities, often on Saturdays or Sundays. Local and other producers attend these markets, paying a small fee for a stall and then sell their produce direct to the consumer. These farmers’ markets partly came about as a result of the frustration felt by many farmers and growers at the way they were being treated by retailers and at the margins they were receiving. In addition, such markets have been successful because consumers feel they are getting fresh produce at lower prices than they might be able to obtain through supermarkets.

Despite the growth in the market for organic vegetables, after 18 months in his business, John is worried. Quite simply, his business has not been as successful as he envisaged it would be, and as a result he is not earning enough to make a living. The real worry is that he is not sure why this is the case. His produce, he believes, is as good as anything in the business. He is a very good grower and the land he has leased is perfect for the range of produce he wishes to grow. Starting with organic potatoes he now produces a range of organic vegetables including beans, sprouts, carrots, lettuce and his latest venture organic tomatoes and corn grown in poly-tunnels. Although customers he currently supplies are very loyal to John, indeed many are friends and acquaintances he has known over the years when he grew vegetables in his back garden, there are simply not enough of them.

As a result, his turnover which increased rapidly over the first year of the business has for the last six months has stagnated. He mainly supplies locally and has tried to increase his customer base by taking leaflets out and posting them through letterboxes in the area. He has done this by dividing up the housing areas in a ten mile radius around his growing area and dropping leaflets throughout the area to as many houses as he can cover on a systematic basis. Only some 2% of customers have responded with an order, usually contacting by telephone. These customers seem to come from the middle class areas. He has considered taking a stall at one of the farmers’ markets, the nearest of which is some 40 miles away and operates one day per month, but he realises this would not be enough to reach the turnover levels he requires. He has in the past supplied one or two local restaurants and hotels, but usually only when they have contacted him because they have had a problem with their existing supplier.

He has never followed these up. His growing area is currently too small to supply a major retailer, although he has been approached on an informal basis by the buyer of a voluntary chain of local grocers representing some 40 retail outlets in the county.

John is wondering where he goes from here. He cannot understand why his superior products are not selling well. A friend has suggested that John needs a more strategic approach to marketing. John is not convinced. He feels his business is too small to warrant any kind of marketing, never mind strategic marketing, and he has always felt that a good product should sell itself. He is, however, anxious to grow the business and become a leading organic vegetable supplier.

## Questions 1:

What advice would you give to John about developing his business through more effective strategic marketing?

## Questions 2:

What are the strategies that John should use to market his Organic vegetables since this is a new and upcoming area of business?

## Questions 3:

What would be the appropriate strategy that you would suggest if this company is to start marketing its products in your home country? Explain with reasons.

## Questions 4:

What in your opinion should be the marketing strategy that an organization of this type should indulge in? Bring out the advantages and disadvantages of the strategy.