

MBAFT 6105: Marketing Management

Time allowed: 3 Hours

Maximum Marks: 50

Question Number 1 is compulsory. Attempt any other three questions.

		Marks
1.	<p>Read the enclosed case 'IKEA' and answer the following questions:</p> <p>(a) What are some of the things IKEA is doing right to reach consumers in different markets? What else could it be doing?</p> <p>(b) What segmentation bases can be used by IKEA to segment the furniture market in India? Justify your answer.</p> <p>(c) IKEA has essentially changed the way people shop for furniture. Discuss the pros and cons of this strategy.</p>	(7,6,7)
2.	<p>Write short notes on any two of the following:</p> <p>(a) Value based pricing</p> <p>(b) Societal marketing</p> <p>(c) Advantages of branding</p>	(10)
3.	<p>Explain the concept of product life cycle (PLC). Outline the characteristics and marketing implications of the maturity stage. Identify the life cycle stage for:</p> <p>(a) Air purifier</p> <p>(b) Hair care products</p>	(6,4)
4.	<p>Huge companies conclude that using middlemen is better than a "do-it-yourself" approach to distribution. In light of this view, discuss the functions performed by distribution channels. How this statement is supported or refuted by vertical marketing systems?</p>	(10)
5.	<p>With the help of suitable examples, discuss how a company's marketing can be influenced by socio-cultural and technological environment. Specify some external macro environmental forces affecting the marketing program of e-commerce companies.</p>	(10)
6.	<p>(a) What role do advertising and communication play at each of the purchase decision stages? To what extent can they influence buyer behavior?</p> <p>(b) Do you think television is a superior medium of expression compared to other conventional media? Why or why not?</p>	(6,4)

IKEA

IKEA was founded in 1943 by a 17-year-old Swede named Ingvar Kamprad. The company, which initially sold pens, Christmas cards, and seeds from a shed on Kamprad's family farm, eventually grew into a retail titan in home furnishings and a global cultural phenomenon, what *Business Week* called a "one stop sanctuary for coolness" and "the quintessential cult brand."

IKEA inspires remarkable levels of interest and devotion from its customers. In 2008, 500 million visitors walked through IKEA stores, which are located all over the world. When a new location debuted in London in 2005, about 6000 people arrived before the doors opened. A contest in Atlanta crowned five winners "Ambassador of Kul" (Swedish for "fun") who, in order to collect their prizes, had to live in the IKEA store for three full days before it opened, which they gladly did.

IKEA achieved this level of success by offering a unique value proposition to consumers: leading-edge Scandinavian design at extremely low prices. The company's fashionable bargains include products with unusual Swedish names such as Klippan loveseats for \$279, BILLY bookcases for \$60, and LACK side tables for \$8. IKEA founder Kamprad, who was dyslexic, believed it was easier to remember product names rather than codes or numbers.

The company is able to offer such low prices in part because most items come boxed and require the customer to completely assemble them at home. This strategy results in cheaper and easier transportation as well as more efficient use of store shelf space.

IKEA's vision is "to create a better everyday life for the many people". Its mission of providing value is predicated on founder Kamprad's statement that "People have very thin wallets. We should take care of their interests." IKEA adheres to this philosophy by reducing prices across its products by 2 percent to 3 percent annually. Its focus on value also benefits the bottom line: IKEA enjoys 10 percent margins, higher than its competitors such as Target (7.7 percent) and Pier 1 imports (5 percent). IKEA sources its products from multiple companies all over the world rather than a handful of suppliers as many furniture retailers do. This ensures the lowest price possible, and savings that are passed on to the consumer. Today, IKEA works with approximately 1300 suppliers from 53 countries.

IKEA's stores are located a good distance from most city centers, which helps keep land costs down and taxes low. The average IKEA customer drives 50 miles round-trip to visit an IKEA store. Many stores resemble a large box with few windows and doors and are painted

bright yellow and blue- Sweden's national colors. They save energy with low-wattage light bulbs and have unusually long hours of operation; some are 24-hour stores. When a consumer walks through an IKEA store, it is a very different experience than most furniture retailers. The floor plan is designed in a one-way format, so the consumer experiences the entire store first, then can grab a shopping cart, visit the warehouse, and pick up the desired items in a flat box.

Many IKEA products are sold uniformly throughout the world, but the company also caters to local tastes.

- In China, it stocked 250,000 plastic placemats with "Year of the Rooster" themes, which quickly sold out after the holiday.
- When employees realized U.S. shoppers were buying vases as drinking glasses because they consider IKEA's regular glasses too small, the company developed larger glasses for the U.S. market.
- IKEA managers visited European and U.S. consumers in their homes and learned that Europeans generally hang their clothes, whereas U.S. shoppers prefer to store them folded. Therefore, wardrobes for the U.S. market were designed with deeper drawers.
- Visits to Hispanic households in California led IKEA to add seating and dining space in its California stores, brighten the color palettes, and hang more picture frames on the walls.

IKEA has evolved into the largest furniture retailer in the world with approximately 300 stores in 38 countries. Its top countries in terms of sales include Germany, U.S., France, U.K. and Italy.
