

FACULTY OF MANAGEMENT STUDIES

UNIVERSITY OF DELHI

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Name of Examination MBA (FT) – I

Paper name – Marketing Management

Paper No. 6105

Time : 3 Hours

Max Marks : 50

Part A is compulsory. Answer any three questions from Part B

PART A

Maggi in India's Noodle Market

In India, for long, noodles meant *Maggi*. The domination of the instant noodles by Swiss giant Nestle with its brand *Maggi* was total. Maggi enjoyed an overwhelming 90 percent market share for quite sometime. The entry of new players, however, has been changing the competitive game in recent times. Market share of Maggi slipped to 80 percent by 2011 from an earlier 90 percent. Reports suggest it has fallen further to around 70 percent.

Since the past few years, the business witnessed quite a few new entrants in quick succession. The list included ITC (Sunfeast Yippee), HUL (Knorr Soupy), GlaxoSmithKline (Horlicks Foodles), and the Future Group (Tasty Treat, a private label). They had the capability to change the competitive game. ITC, in particular, offered stiff competition. Though a late entrant into the business, it rapidly gained ground and grabbed share from Nestle. ITC's *Yippee* actually went on to garner a double-digit market share in quick time. Though the other did not do as well as ITC, they along with ITC, formed a strong bunch of new entrants.

The new players were resource-rich and marketing savvy. They did grant a dominant position to Nestle, but were strategizing to make noodles a multi-player industry, instead of a monopoly of Nestle. All the three new FMCG players were experienced and aggressive marketers with deep pockets. In fact, for a couple of years now, all of them have been spending far more money on promoting their brands in the category than what they are now earning from them.

ITC attributes its No. 2 position to factors like quality, inter-business synergies, and distribution strength. It claimed that the distributors trusted ITC and knew if there was a problem with the product, it would take it back or would find a solution to the problem. Nissin Foods of Japan (Top Ramen), the other contender with some strength and markets here, was not in the category of new entrants, but was acting now with a new aggression. It now had a 4 to 5 percent slice of the pie.

By now, the market had evolved. The Indian consumer had become more open to 'instant foods' and had also started demanding more choices in them. The instant noodles market in India, which was placed at Rs. 1300 crore a couple of years ago was placed at Rs. 2500 crore at present. It is projected to grow around Rs. 3000 crore by 2015. It is presently growing in the range of 15 to 20 percent annually. Since the market is sizable and growing, the big FMCG players considered it as an attractive industry to be present and invest in. They knew that a category that is growing at 20 percent annually, and in a country in which instant foods, especially noodles, are no longer considered a processed food by the burgeoning middle class but has become one of their mainstream and regular household menu and a preferred food-choice, would keep expanding.

Moreover, instant noodles like noodles had ceased to be just a metro phenomenon and had become popular in semi-urban and rural markets.

The new players also brought in differentiation into the competitive game. GSK Horlicks Foodles was made available only in the multi-grain and wheat variant and the brand was being promoted as having higher nutritional value as compared to other brands. HUL also used the health-plank. Nissin foods leveraged its early mover advantage and its ability to put out variants like 'cup noodles', 'mug noodles', and a curry variant in the market.

Regional players, who had carved out some handsome shares in local markets, now started expanding their area of operation. CG Foods, the maker of the Wai brand of noodles was one such player. CG Foods has claimed that it has been able to beat Maggi in the north east. It has also claimed that it enjoys 16 percent share all India. In such an event, the market share of Maggi, the leader, would have suffered a much greater fall than what has been reported. Wai Wai claims that it sells 20 lakh packs of noodles per day.

The leader-Nestle, of course did not keep quiet. It widened its product range with new flavors and new variants. It also jumped onto the health platform. While it continued to treat its refined wheat flour variants as its bread and butter, it came with some whole wheat and multi-grain offerings. It also tweaked its positioning; unlike earlier, when it was primarily focusing on children, it now positioned it as a snack for all age groups.

Maggi has its competitive advantages. Maggi noodle was launched more than a quarter century ago. It is the most established brand and is way ahead of others in the business. It has the attention-grabbing two-minute proposition. It has capitalized on its first mover advantage and its extended brand building long before the entry of others. In 2012, it signed superstar Amitabh Bachchan as its brand ambassador.

Maggi also exploited the lack of a strong strategy on the part of HUL and GSK. GSK Foodles in particular had dipped in more recent times and the company stopped competing in the mass noodles segment and focused on niche multi-grain offerings, which earned higher margins. As for HUL, though it was competing strongly, it had extended its soup brand Knorr into the noodles category, and perhaps, it as acting as a block in consumers' minds.

Using its competitive advantages, Maggi has managed to retain its leadership and market share to a substantial extent. The point is despite its strengths, it may not hold on to its erstwhile competitive position.

Discuss the marketing strategy that Maggi should adopt to beat competition from new entrants and to maintain its market share in India's instant noodles market? (20)

PART B

- ✓ Q1. a) Explain the 'Product-life-cycle' concept in brief. (4)
b) Identify the product-life-cycle stage for the following along with the characteristics of the stage:
i) Disposable syringes
ii) Smart phones. (6)
- Q2. Explain the effects of the following factors on the length of channel of distribution with help of examples
i) Product characteristics
ii) Customer characteristics
iii) Competition characteristics
iv) Company characteristics. (10)
- Q3. Explain the kind of media strategy that you would suggest for the following:
i) New low budget firm to market snack food items locally
ii) Wedding planner for high-net-worth families. (10)
- Q4. Distinguish between the following pricing strategies:
i) Market skimming
ii) Market penetration
Explain the conditions under which each of these is a suitable strategy. Illustrate with examples. (10)
- ✓ Q5. a) Distinguish between 'Market segmentation' and 'market targeting'. (2)
b) Describe the various criteria that the firm may use to segment the market for the following:
i) Ready-to-eat cereal.
ii) Online investment advice & stock trading. (8)
- Q6. Write brief notes on any two of the following:
i) Macro-environmental forces affecting firm's marketing programme.
✓ ii) Consumer decision making process
✓ iii) Selling concept Vs. Marketing concept. (10)