

MBA (FT) 2011

Paper MBAFT-6105 : Marketing Management

Time: 3 hrs.

Max. Marks: 50

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

Part – A

Q.1 Read the following case on 'Is iTunes Playing Your Song?' and answer the question given at the end of the case:

**Is iTUNES Playing Your Song?**

Just as it revolutionized the consumer market for desktop computers in the 1980s, Apple Computer Inc. is again transforming another burgeoning business. Apple's entrant in the digital-music business, the iTunes Music Store, was launched in 2003. In seeking sustained success in the competition among online music services, Apple faces several obstacles. Among them are illegal file-sharing services, many new legitimate competitors, technological challenges, and a reluctant music industry.

Like several other Internet-based enterprises, the music file-sharing industry began in a dorm room. Shawn Fanning, a student at Northwestern University, created Napster in 1999. Napster allowed individuals to exchange MP3 music files over the Internet and to download them onto their computers. Music companies such as BMG and Warner were distressed by this new peer-to-peer (PTP) model for file sharing. Believing that it infringed upon their copyrights, the companies sued to put Napster out of business. In July 2001, Napster was shut down, but by then, a number of imitators had sprung up and were offering free PTP music-sharing services. Millions of songs were being downloaded illegally. There were few legitimate alternatives because the music companies were wary of licensing their collections for Internet consumption.

Apple's iTunes Music Store was the first online service to reach an agreement with all five of the major music companies (as well as several independents). iTunes charges \$.99 for each song a customer downloads.

However, because it pays \$.65 to \$.79 per song to the record companies, Apple earns little profit from iTunes. Apple's main motivation for launching the online music service was to stimulate sales of its iPod MP3 music player.

Apple's technology for iTunes allows customers to purchase a song, play it on up to three computers, and also copy or "burn" that song onto an iPod (but no other MP3 player) or multiple compact discs. An "album," a playlist of 10 songs, can be purchased for \$9.99. Both songs and albums are encrypted to prevent them from being transferred onto free peer-to-peer sites.

iTunes' main competitors were Napster, MusicMatch, RealPlayer, and yes, even Wal-Mart. In addition to selling individual songs for \$.99 each, Napster and MusicMatch also offer subscriptions that allow users to pay a monthly fee in order to "stream," which means they can listen to as many songs as they want on their computer. Rob Glaser, chief executive officer of RealNetworks (which owns RealPlayer), stated that



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only 13% of RealPlayer's customers were paying \$.99 to download singles, whereas 72% were simply listening to music on their computer. Steve Jobs of Apple rejected that approach, saying, "The subscription services are not working. People want to own their music, not rent it."

Apple developed a slick advertising campaign that featured U2's Bono promoting both iTunes and the iPod. By September 2004, iTunes had sold more than 100 million songs and had 70% of the legal online digital-music business. Despite 60 competitors, iTunes was selling more than four times as many songs each week as its closest competitor, the legal version of Napster.

As 2004 drew to a close, still more digital-music services were entering the competition. Perhaps the most interesting (and potentially formidable) newcomer was the company that set off the Apple versus PC operating-system war of the 1980s—Microsoft. Just as Apple launched iTunes to increase sales of its iPod MP3 player, Microsoft introduced MSN Music to spur sales of its Windows XP operating system and Windows Media Player as well as a number of other Microsoft products. The match-up mimicked the Apple versus Microsoft desktop computer wars of the 1980s.

Similar to earlier times when Apple refused to license its Macintosh operating platform, it has resisted allowing other companies to develop products or services that work with iPods and iTunes. In contrast, Microsoft is allowing other suppliers to develop devices and services that use its new Windows Media Player technology. One industry analyst noted, "Apple designs things to work well together, whereas Microsoft kind of glues things all together."

The original digital-music master, Shawn Fanning, also launched a new online music service in late 2004. After selling the rights to the Napster name, Fanning decided to try to legitimize the peer-to-peer (PTP) digital-music model. He envisioned his new company, Snocap, as a clearinghouse to bring together music companies and PTP file-sharing networks. Up to this point, most PTP networks operated illegally, allowing users to trade copyrighted material without paying royalties to the rights-holding music company or artist. Fanning's goal was to allow users to continue to exchange files while paying for the privilege of doing so.

A number of illegal sites were still operating and offering free PTP file sharing and, in the case of Kazaa, an enormous collection of songs from which to choose. Utilizing a network of computers rather than one main server, Kazaa was proving to be much more difficult to shut down than Napster. Whereas 67% of people over the age of 25 were legally downloading music from the Internet in late 2004, almost 70% of those between 18 and 24 years old were using unlicensed services. But, as the adage says, you get what you pay for—and sometimes more, such as computer viruses and occasional lawsuits aimed at users downloading pirated material.

On the legal side of the competition, by January 2005, Apple was selling 90% of all songs downloaded from the Internet. And, to paraphrase the Shangri-Las, Apple Computer hopes iTunes will remain "The Leader of the Pack."

#### Questions:

1. Other than technology, which macroenvironmental forces are particularly important to Apple's iTunes?



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2. Do you think legal digital-music services will prevail over their now illegal counterparts? Why or why not?
  3. Does legal digital-music downloading coincide with or run counter to major demographic, social, and cultural trends in the U.S.?
  4. What marketing considerations will be important for Apple as it tries to make iTunes a long-lasting success, especially in the face of competition from Microsoft and other online music services?

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### Part B

Answer any three questions from Part B [10x3=30]

Q.2 Discuss a few social and cultural trends affecting the buying behavior of Indian consumer in recent years. Explain with examples. 10

Q.3 According to Peter Drucker "Marketing is so basic that it cannot be considered a separate function of the firm ... it is a central dimension of the whole business". Discuss this idea, with particular reference to how this attitude to marketing is displayed by *any one* of the following firms: 10

i) Maruti Suzuki

ii) Asian Paints

iii) Airtel

Q.4. Briefly discuss the concept of segmentation, targeting and positioning. Explain the positioning strategy followed by a brand or firm of your choice.

Q.5 How might a company's advertising strategies differ, depending on whether its brand of a product is in the introduction stage or the maturity stage of its life cycle? Give examples 10

Q.6 'Marketing intermediaries increase the cost of the product and so should be avoided'. Do you agree with the statement? Give reasons in support of your answer.

Q.7 Write short notes on any two of the following:

a) Consumer decision process model

b) Brand extension

c) Geographical pricing

d) Conflict and control in channels

e) Role of social media in marketing