**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIRST TRIMESTER (Batch 2019-21)**

**END TERM IMPROVEMENT EXAMINATION, NOVEMBER-2019**

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| Course Name | **Fundamentals of Marketing** | Course Code | **MKT-101** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**Questions.1**: The concept of value is crucial, critical and intriguing for business? The failure of Barbie dolls in Japan, challenges faced by Kellogg’s Corn Flakes in India are indicative of the difficulties in deciding a winning value proposition? Comment making use of basic concept of value proposition and suggest some cautions points to be followed by the marketer which deciphering value? Support your claim with relevant examples as well. **(8 Marks)**

**Questions.2 “**Products should be good for people and planet as well” Critically evaluate the essence of comment and discuss how it may affect the way businesses operate? Also suggest some measure through which marketers can build-in and promote sustainability in their business? **(8 Marks)**

**Questions.3** :

**Selling Coffee in the Land of Tea**

Starbucks has been doing business in China since 1999 when they opened their first coffee shop in Beijing. Today, hundreds of Starbucks stores sell coffee in the land of tea, including one at the Great Wall. It has become one of the most popular brands among the country’s 20 – 40-year-old upwardly mobile Chinese, or “Chuppies”, as they’re called, but so far China accounts for only about 10 percent of Starbucks’ sales. Nevertheless, Chairman Howard Schultz believes the country will someday be the company’s largest market outside North America. The market response,’ he says, “has exceeded our expectations. ” This may seem surprising when you consider the fact that the majority of China’s one billion-plus population are tea drinkers who didn’t know what coffee was until Nestle introduced a powdered version on store shelves in the 1980s. But Starbucks is betting that it can win the new generation over by marketing its signature product as an emblem of modern china’s new sophistication. “Coffee represents the change,” says Wang Jinlong, president of Starbucks Greater China. “The disposable income in concentrated on the young people, and this is the place they want to come. Success in China could depend on how well Starbucks markets itself to what Wang calls the “little emperors. ” China’s one-child law has spawned a generation that isn’t interested in collective goals, he says. Instead, they embrace the Western belief in individually that Starbucks embodies. After surveying Chinese consumers, Starbucks compiled a list of the top reasons they go to cafes. Surprisingly, the number one reason was “to gather with family and friend,” while “to drink coffee” lagged behind at number six. Living spaces are generally small and cramped there, making place to congregate important to the Chinese.

Da Wei Sun, manager of outlets in Beijing, believes that Starbucks found success in China because it took this idea of a place to gather and gave people in the cities a “third space” beyond work and home, making it cool to have a latte and hang out. Starbucks offers more food on the Chinese menu, including duck sandwiches, moon pies, and green-tea cheese cake, than in other countries, and more seating as well. Only 20 percent of North American customers eat and drink inside the store after ordering, but the number is close to 90 percent in China.

China remains a communist country, so a change in its one-party dictatorship could potentially affect business overnight. Schultz says the key to establishing stores there is to first find local partners who understand the changing political and business landscapes. Starbucks initially entered China by authorizing local developers to use its brand and setting up joint ventures with partners. Industry analyst Pei Liang advised that for long-term success in the country, Starbucks would need to acquire controlling stakes in its joint ventures.

This, Pei explained, would strengthen management’s control and put in position to reap more of the profits as the market grew. “Licensing or holding a minority stake is an effective tool when first stepping into a new market because it involves a small investment,” says Pei. “But Starbucks, the brand’s owner, receives only royalty fees from the licensee. ” In late 2006, Starbucks announced that it was buying out its partner in China and taking control of 60 stores. The market had changed after Beijing entered the World Trade Organization in 2001, making it easier for foreign companies to navigate alone. Buying out one’s partner is becoming more common,” says industry consultant Kent D. Kedl. “Starbucks probably feels they sic know better how China works now so they sic can go it on their own. ” Chairman Howard Schultz says that Starbucks will concentrate most of its future expansion efforts in China, and Kedl predicts it will see continued success there. “It’s not just a drink in China. It’s a destination. It’s a place to be seen and a place to show how modern one is. ” And with China’s economy continuing to grow in double digits, the number of Chuppies willing to pay $3. 63 (₹163.35) for a Mocha Frappucino Grande is likely to grow, too.

**Questions 3 (a).** Many of the same environmental factors, such as cultural factors, that operate in the domestic market also exist internationally. Discuss the key cultural factors Starbucks had to consider as it expanded into China. **(12 Marks)**

**Question 3 (b).** What demographic factors were important for Starbucks to understand in China? What were the demographics they decided to target? **(12 Marks)**

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