

Eastern University, Sri Lanka

Faculty of Commerce & Management

Final Year First Semester Examination in BBA /Specialization in Marketing Management

2017/2018 (January 2020) (Proper)

MKT 4013 Strategic Marketing Management

Answer all questions

Time: 03 Hours

Q1. Read the following case study and answer the questions given below.

Southwest Airlines

Southwest Airlines entered the airline industry in 1971 with little money but lots of personality. Marketing itself as the LUV airline, the company featured a bright red heart as its first logo and relied on outrageous (disgraceful) tricks to generate word of mouth and new business. Flight attendants in red-orange hot pants served Love Bites (peanuts) and Love Potions (drinks). As Southwest grew, its advertising showcased its focus on low fares, frequent flights, on-time arrivals, top safety record, and how bags fly free. Throughout all its communication efforts, Southwest uses humor to poke fun at itself and convey its warm, friendly personality. One TV spot showed a small bag of peanuts with the words, "This is what our meals look like at Southwest Airlines. . . . It's also what our fares look like." Its ongoing "Wanna Get Away?" campaign uses embarrassing situations to hit a funny bone with consumers. And its tagline: "Ding! You are now free to move around the country" is a self-parody of its in-flight announcements. This lighthearted (relaxed) attitude carries over to the entertaining on-board announcements, crews that burst into song in the terminal, and several personalized aircrafts, including three painted as flying killer whales, "Lone Star One" painted like the Texas flag, and "Slam Dunk One," symbolizing the airline's partnership with the NBA.

Southwest's business model is based on streamlining its operations, which results in low fares and satisfied consumers. The airline takes several steps to save money and passes the savings to customers through low fares. It flies over 3,100 short, "point-to-point" trips in a day—shuttling more passengers per plane than any other airline. Each aircraft makes an average of 6.25 flights a day, or almost 12 hours each day. Southwest can accomplish such a feat because it avoids the traditional hub-and-spoke system and has extremely fast turnaround service. In its early years, it turned planes around in less than 10 minutes. Today, its turnaround averages 20 to 30 minutes - still the best in the industry and half the industry average. Southwest's unique boarding process helps. Instead of assigned seating, passengers are assigned to one of three groups (A, B, C) and a number when they check in. The number refers to where they stand in line at the gate. Group A boards first, and once on board, passengers may sit anywhere they like. Southwest grows by entering new markets other airlines overprice and underserve. The company believes it can bring fares down by one-third to one-half whenever it enters a new market, and it expands every market it serves by making flying affordable to people who could not afford it before. Southwest currently

serves 68 cities in 35 states, usually secondary cities with smaller airports that have lower gate fees and less congestion - another factor that leads to faster turnaround and lower costs.

Another unique cost savings strategy is Southwest's decision to operate Boeing 737 aircraft on all its flights. This simplifies the training process for pilots, flight attendants, and maintenance and management can substitute aircraft, reschedule flight crews, or transfer passengers quickly. Jet fuel is an airline's biggest expense. According to the industry's trade group, the Air Transport Association, jet fuel now accounts for 40 percent of an airplane ticket's cost, up from 25 percent just eight years ago. Southwest's biggest cost savings technique and competitive advantage has long been its program to hedge fuel prices by purchasing options contracts in advance. Many of its long term contracts allow the airline to purchase fuel at \$51 per barrel, a significant savings especially during the oil shocks of the 2000s that drove oil prices to over \$100 per barrel. Analysts estimate that Southwest has saved more than \$2 billion in fuel costs through hedging. Because lighter planes use less fuel, Southwest makes its planes lighter by removing bathrooms and has replaced its seats with lighter models. Southwest burns approximately 1.5 billion gallons of jet fuel each year so every minor change adds up. The airline estimates that these changes saved \$1.6 million in fuel costs over just three years. Southwest has pioneered services and programs such as same-day freight service, frequent flyer discounts, Fun Fares, and Ticketless Travel. It was the first airline with a Web site to deliver live updates on ticket deals, and the first to post a blog. Despite its reputation for low fares and no-frills service, Southwest wins the hearts of customers. It consistently ranks at the top of lists of customer service for airlines and receives the lowest ratio of customer complaints per passenger.

Southwest has been ranked by Fortune magazine as the United States' most admired company since 1997, the fifth-most admired corporation in 2007, and one of the top five best places to work. Its financial results also shine: the company has been profitable for 33 consecutive years. It has been the only airline to report profits every quarter since September 2001 and one of the few with no layoffs amid a travel slump created by the slow economy and the threat of terrorism. Although the hot pants are long gone, the LUVing spirit remains at the heart of Southwest. The company's stock symbol on the NYSE is LUV, and it can be found across the company. These symbols embody the Southwest culture: "Employees caring about themselves, each other, and Southwest's customers." "Our culture can be matched; our airplanes and routes can be copied. But we pride ourselves on our customer service," said Sherry Phelps, director of corporate employment. The success of Southwest looks for and hires people who generate enthusiasm.

In fact, having a sense of humor is a selection criterion it uses for hiring. As one employee explained, "We can train you to do any job, but we can't give you the right spirit. The right feeling is reciprocated. When Southwest needed to close reservation centers in 2004, it didn't fire a single employee but rather paid for relocation and other expenses.

Case Study Questions

- i. Southwest has mastered the low-price model and has the financial results to prove it. Why don't the other airlines copy Southwest's model? Discuss the situation.

(Marks 08)

- ii. Describe the risks the Southwest face. Can it continue to thrive as a low-cost airline when tough economic times hit? Briefly explain your answer.

(Marks 08)

- iii. Propose the Product Life Cycle of this company and If you are the CEO of this company how would you handle this for the future?

(Marks 12)

(Total 28 Marks)

- Q2 i) The Engel- Kollat -Blackwell model (EKB model) is essentially a conscious problem solving and learning model of consumer behaviour. **Briefly discuss** the model and its components.

(Marks 06)

- ii) 'The range of marketing relationships extends from a single transaction to vertical integration'. **Explain** this statement citing an example.

(Marks 06)

- iii) **Illustrate** the followings:

a. Strategic readiness

b. Channel Distribution and Physical Distribution

c. Push Strategies and Pull Strategies

(Marks

06)

(Total 18 Marks)

- Q3. i) 'The success stories of companies that have prospered in dynamic, changing environments suggest that they possess a number of common characteristics'.

Discuss how companies manage change in the volatile uncertain marketing environment

(Marks 04)

- ii) A well-defined and executed brand strategy affects all aspects of a business and is directly connected to consumer needs, emotions, and competitive environments.

Demonstrate the brand image crafting factors with suitable example.

(Marks 06)

- iii) 'Strategic planning is a process undertaken by an organization to develop achievement of its overall long-term organizational goals'.

Illustrate the process with a suitable example.

- Q4. i) 'The Japanese apply different principles and have developed different industries. the differences exist between the objectives of Japanese companies and European American companies.

- ii) Porter's Five Forces is a model, frequently used to identify an industry's determine corporate strategy.

Describe the model with suitable example.

- iii) **Illustrate** Integrated management system and its elements with suitable example.

- Q5. i) 'The fundamental reason for studying the diffusion and adoption processes is to level of understanding of how, when and why new products are accepted. Adopters of new products have been observed to move through several stages'. stages and briefly explain those stages.

- ii) It is important to understand and appreciate the difference to be able to design strategies for the business markets and consumer markets.

Explain the differences of business markets and consumer markets.

- iii) 'Since marketing research can get expensive it is one of the first things people do in their marketing budget'.

Propose your view on it while explaining the marketing Research Process.