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Eastern University, Sri Lanka

EASTERN UNIVERSITY, SRILANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR/FIRST SEMESTER EXAMINATION IN BUSINESS
ADMINISTRATION/COMMERCE – 2003/2004
MGT 2013 MARKETING MANAGEMENT

Answer all the questions

Time: 03 hours

01. Read the case and answer the questions.

PEPSI: PROMOTING NOTHING

Everyone's familiar with the cola wars—the epic battle between Pepsi Cola and Coca-Cola in the soft drink market. The war has featured numerous taste tests and mostly friendly, but sometimes not-so-friendly, television ads featuring Pepsi and Coke delivery truck drivers, each trying to outdo the other.

The major problem that Pepsi and Coke face is that the cola market is mature and not growing very rapidly. Thus, to generate new sales and new customers, the companies have to look for new fronts.

In the early 1990s, the bottled-water was just a drop in the huge U.S. beverage market bucket. The Evian and Perrier brands dominated the tiny niche and helped establish bottled spring water's clean, healthy image. Pepsi took an early interest in the water market. It tried several different ways to attack this market, with both spring water and sparkling water, but each failed. Then it hit on the idea of taking advantage of a built-in resource, its existing bottlers.

Pepsi's bottlers already had their own water treatment facilities to further purify the municipal tap water used in making soft drinks. All municipal tap water must be pure enough to pass constant monitoring and rigorous quarterly EPA prescribed tests. Still, cola bottlers filtered it again before using it in the production process.

Pepsi decided that it would really filter the tap water. It experimented with a reverse osmosis process, pushing already-filtered tap water at high pressure through fiberglass membranes to remove even the tiniest particles. Then, carbon filters

removed chlorine and any other particles that might give the water any taste or smell. All this filtering removed even good particles that killed bacteria, so Pepsi had to add ozone to that water to keep bacteria from growing. The result, Aquafina—a water with no taste or odor — that Pepsi believed could compete with the spring waters already on the market. Further, Pepsi could license its bottlers to use the Aquafina name and sell them the filtration equipment. Because the process used tap water that was relatively inexpensive, Pepsi's Aquafina would also compete well on price with the spring waters.

The marketing strategy was relatively simple. Whereas Evian and the other early entrants targeted women and high-end consumers, Pepsi wanted consumers to see Aquafina as a “unisex, mainstream” water with an everyday price. When the company launched the product in 1994, it was content just to build distribution using its established system and spend very little money on promotion. Pepsi believed that soft drink advertising should be for soft drinks, not water.

By 1999, what had been a minor trickle in the beverage market had turned into a geyser—bottled water had become the fastest-growing beverage category, and Pepsi had a big head start. Coca-Cola decided it was time to take the plunge. Like Pepsi, Coca-Cola realized its bottlers were already set up to handle a filtered-water process. Unlike Pepsi, however, rather than taking everything out of the tap water, it wanted to put something in.

Coca-Cola's researchers analyzed tap waters and bottled waters and concocted a combination of minerals they believed would give filtered tap water a fresh, clean and taste. The formula included magnesium sulfate, potassium chloride, and salt. Coca-Cola guarded the new water formula just as it had the original Coke recipe. Thus, it could sell the formula to its bottlers, as it does Coke concentrate, and let them make the water.

Like Pepsi, Coca-Cola was content initially just to get its water, which it calls Dasani, into distribution.

By 2001, however, the bottled-water category had over 800 competitors and had grown to \$3.53 billion in U.S. sales. Analysts predicted bottled water would become the second largest beverage category by 2005. Nestle's Perrier Group (Perrier, Poland Spring, and others) held 37.4 percent of the market, followed by Pepsi with 13.8 percent, Coca-Cola with 12 percent, Group Danone (Evian and others) with 11.8 percent, and all others with 25 percent.

Given the rapid market growth rate and all the competition, Pepsi and Coca-Cola decided they had better promote their products, just as they did their soft drinks. In 2001, Pepsi launched a \$14 million campaign showing real people and how water was part of their lives. Coca-Cola countered with a \$20 million campaign that targeted women and used the tag line "Treat yourself well. Everyday."

Not to be outdone, Pepsi responded by more than doubling its promotion budget to \$40 million in 2002. Included in the advertising was a spot featuring 'Friends' star Lisa Kudrow. Lisa described how refreshing and mouthwatering Aquafina was emphasizing that it made no promises it couldn't keep. She described Aquafina as "Pure nothing." The ads featured the tag line "We promise nothing".

So Pepsi and Coca-Cola had drawn new battle lines – this time for the water wars. Could Pepsi convince consumers to prefer a water that offered nothing versus Coca-Cola's water that offered something - although both products were colourless, odorless and tasteless? Further, what would Pepsi and Coca-cola do in response to the pressure on them to launch "aquaceuticals"- water that was enhanced with calcium and fluoride or perhaps even (are you ready for this?) flavours? What impact would such products have on Pepsi's advertising strategy?

(a) What markets should Pepsi target for Aquafina?

(04 Marks)

(b) What advertising objectives should Pepsi set for Aquafina?

(05 Marks)

(c) What message strategy and message execution recommendations would you make for Aquafina?

(05 Marks)

(d) What advertising media recommendations would you make for Aquafina and how would you evaluate the effectiveness of those media and your advertising?

(05 Marks)

(e) What sales promotion and public relations recommendations would you make for Aquafina?

(05 Marks)

(f) If Pepsi launches an "aquaceutical," should it use the Aquafina brand name?

(04 Marks)

(Total 28 Marks)

02. (a) Define what marketing is and discuss its core concepts?

(05 Marks)

(b) Marketing intelligence has become increasingly important to marketing manager as an aid to formulating strategy. What other benefits are derived from the marketing intelligence function?

(06 Marks)

(c) Describe the major types of buying-decision behaviour and differentiate them with practical examples.

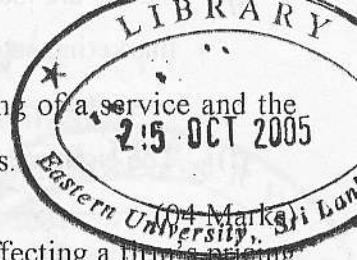
(07 Marks)

03. (a) List and discuss the major bases for segmenting consumer and business markets.

(04 Marks)

(b) List and explain the core, actual, and augmented products for educational experiences that universities offer.

(04 Marks)



(c) Identify the four characteristics that affect the marketing of a service and the additional marketing considerations that service requires.

(d) Identify and explain the external and internal factors, affecting a firm's pricing decisions.

(06 Marks)

04. (a) Describe the Product Life Cycle concept (PLC) and explain how it can be used to help marketing decision making. Provide an example where PLC has been successful with a brief explanation.

(06 Marks)

(b) Explain the importance of Demographical environment to Marketing Management. Provide two examples where changes in the demographic environment have impacted on marketing of product/service.

(06 Marks)

(c) "In designing marketing channels, manufacturers struggle between what is ideal and what is practical". Explain the stages of channel designing.

(06 Marks)

05. **Fill in the blanks with appropriate terms**

(a) _____ is a social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and values with others

(b) Marketers should be aware of several trends in the natural environment. Chief among these are _____, _____ and _____

(c) The buyer decision process consists of five stages: _____, _____, _____, _____ and _____

(d) With respect to business buying situations, there are three major types: _____, _____ and _____

- (e) There are several requirements for effective segmentation. To be useful, marketing segments must be _____, _____, _____, _____ and _____.
- (f) The eight steps in the new-product development process are idea generation _____, Concept development and testing, _____, _____, Business analysis, _____ test marketing, and _____.
- (g) Common objectives with respect to pricing include survival _____, _____, _____ and _____.
- (h) There are four common methods used to set the total budget for advertising : the affordable method _____ method, the _____ method, and the _____.
- (i) _____ is a systematic collection and analysis of publicly available information about competitors and developments in the marketing environment.

(9 * 2 = 18 Marks)
